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EDITOR'S NOTE:

This is the year of NAFTA—the North American Free Trade Agreement. The already acrimonious debate in the United States about the benefits—and the costs—of the agreement promises to become even more heated as Congress begins deliberations on the treaty and NAFTA opponents, especially labor and environmentalists, begin to press home their arguments against the treaty. This issue of Current History brings together many of the topics that have been the source of disagreement. We begin with an overview of NAFTA by Peter Morici, who points up what the United States and Mexico will gain from the treaty economically, and how it will affect each country's place in the emerging global economic pecking order.

Sidney Weintraub also offers a positive assessment of NAFTA in his review of the salutary changes in Mexico's economy. Weintraub sees Mexico positioned to perhaps "take off" like one of the East Asian tigers, with NAFTA an important catalyst.

A less sanguine view of the economy—and the country's political life—is found in Jorge Castañeda's piece. Castañeda argues that the results of economic reform are fragile and that, while President Salinas may have opened up the country's economy, he has done little to liberalize the political sphere.

Three other domestic Mexican issues that will affect the NAFTA debate are examined: Steven Sanderson looks at Mexico's environment (and the deeper environmental issues that have been overlooked in the focus on border pollution), Ellen Lutz reviews the ongoing problem of human rights abuses, and Kate Doyle uncovers how the collaboration between the United States and Mexico in the fight against drugs has created an incipient Mexican national security state. We also include a discussion by Jorge Chabat of what NAFTA will mean for Mexico's relations with the rest of Latin America.

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"Free trade with Mexico offers Americans important opportunities to build a wealthier society. However, to profit fully from NAFTA, the United States must strengthen the weakest links in its economic and social infrastructure—public schools and work force training. If the United States can address these, then, like Japan, it can relocate ordinary factory jobs to Mexico and place greater emphasis on high-paying, knowledge-intensive activities at home."

Grasping the Benefits of NAFTA

BY PETER MORICI

Few international economic issues are as compelling as free trade between the United States and Mexico.[1] For Mexico, the North American Free Trade Agreement (NAFTA) gives additional permanence to the country's economic reforms and establishes an agenda for continued progress. For the United States, NAFTA is a more ambiguous undertaking. On one level it pits the interests of middle-class professionals and skilled workers against those of increasingly besieged factory workers with few skills. More fundamentally, NAFTA offers a historic opportunity to forge a new partnership with Mexico while raising questions about the fitness of American workers for global competition.

THE SALINAS REFORMS AND BEYOND

After World War II Mexico tried to industrialize through import substitution, a process that focused on building industries to satisfy the demands of the domestic economy while limiting imports. The protectionism this required was part of a nexus of corporatist policies that also covered foreign investment, industrial policy, and labor—all intended to promote economic justice and independence from the United States economy. By the 1980s, statist overreach and two boom-bust cycles in the oil market had left Mexico with crushing foreign debt, triple-digit inflation, antiquated industries, overcrowded farms, and collapsing infrastructure.

Beginning in 1985, President Miguel de la Madrid Hurtado began the painful process of restoring fiscal discipline. His successor, Carlos Salinas de Gortari, is tearing down corporatist institutions brick by brick and opening Mexico to foreign capital and modern business practices. Average tariffs have been slashed from 29 percent to 10 percent, and import licenses, once required for virtually all products, now apply to fewer than 5 percent. Price controls and product standards favoring domestic suppliers and cartels have been relaxed or eliminated. Limits on foreign participation in petrochemicals, finance, and manufacturing have been eased, and protectionist industrial policies for automobiles, computers, and pharmaceuticals have been liberalized.

About four-fifths of the 1,155 state-owned industries have been sold, merged, or closed. Privatizations include Telemex, the national telephone company; Aero México and Mexicana, the two national airlines; and 18 commercial banks. The government has also sold holdings in food processing, fishing, automotive products, textiles, petrochemicals, paper products, and construction materials. Land tenure is undergoing reform, with farmers on communal estates (*ejidos*) being given title to their plots. This will facilitate consolidation of small plots and leasing arrangements

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[1]The North American Free Trade Agreement also includes Canada. In several areas the agreement is actually three bilateral deals, making analysis of its implications for all three signatories complex. This article focuses primarily on the United States and Mexico.

with foreigners. The grip of corrupt unions in vital industries such as petroleum has been weakened.

These reforms are exposing Mexican business to the rigors of international competition, and have induced productivity improvements, export growth, and a four-year economic recovery. Foreign investment has financed current account deficits, which largely reflect imports of capital goods needed for modernization.

Equally important, the privatization of economic decision making is gradually depriving the governing Institutional Revolutionary party (PRI) of the economic levers it has used to co-opt opponents and reward supporters within its three principal constituencies: labor, peasants, and middle-class professionals, including government workers. Hence the PRI faces intensifying pressure to share power with the opposition Democratic Revolutionary party (PDR) and the National Action party (PAN).

To sustain progress Mexico must expand exports of manufactures, which in turn requires secure access to the American market and more foreign capital for modernization. Most new foreign money up to now has been invested in maquiladora plants and portfolio instruments.[2] To attract foreign business to Mexico's industrial heartland, Salinas must convince the world that his promarket reforms will continue under his successor and not fall prey to political disturbances of the kind that have impeded progress in Brazil.

Foreign skepticism reflects a fundamental reality. One six-year presidential term is not enough to straighten out Mexico—corporatism is too deeply rooted. For instance, monopolies favoring local suppliers, very similar to Japan's *keiretsu* (major enterprise groups, or coalitions of companies), remain potent forces in the private sector. Unless economic reforms are brought to full fruition recovery could falter, a government more sympathetic to leftist ideology could reassert corporatist values, and the progress of the Salinas years could unravel. This is where NAFTA enters the picture.

WHAT KIND OF TREATY ARE WE TALKING ABOUT?

Tariffs were not the dominant issue in NAFTA negotiations. Historically, the most important barriers to American-made products in Mexico have been import quotas and licensing schemes, arcane product standards, discriminatory procurement by government agencies and parastatals, domestic sourcing and additional performance requirements imposed on foreign subsidiaries, poor patent and copyright protection, and other instruments of corporatism. Mexico's record in these areas has improved dramatically, but more needs to be done.

For Mexico, average tariffs on products entering the United States are less than 4 percent; high tariffs for import-sensitive products like apparel and leather goods are generally offset by the maquiladora program and the Generalized System of Preferences. In addition, wages that are only about one-seventh those in the United States often negate the bite of even the highest duties assessed against imports from Mexico. Salinas seeks free trade primarily to curb unilateral trade actions by the United States such as quotas on clothing, duties for dumping steel, and the discriminatory use of quality standards for fruits and vegetables, as well as to calm the nerves of foreign investors.

NAFTA will phase out 99 percent of all tariffs over 10 years and do away with remaining tariffs on politically sensitive products over 15 years. Virtually all import quotas and licensing requirements will be eliminated, and NAFTA commits the United States to give Mexican agricultural products equal treatment when establishing marketing orders. These provisions will end most United States restrictions on imports of apparel and Mexican limits on imported cars and trucks, and create bilateral free trade in corn, beans, fruits and vegetables, and other farm products.

Regarding nontariff barriers, NAFTA establishes guidelines and disciplines for setting product standards and testing requirements. It widens opportunities for American businesses to sell goods and services to federal agencies and state-owned industries in Mexico, and vice versa. It strengthens the protection of intellectual property rights and pledges each country to the enforcement of modern antitrust laws.

NAFTA provides binding dispute resolution to ensure the fair application of trade laws such as the imposition subsidy and those calling for dumping duties. This is similar to the successful regime the United States and Canada established in their 1989 trade pact. Like Canada, Mexico will enjoy privileged status inside the United States trade litigation system.

NAFTA will essentially open most of Mexico's economy to investment from the United States, and guarantees American subsidiaries south of the border treatment no less favorable than that of their Mexican competition. Most American service firms will be able to penetrate Mexico from their home base or by establishing offices in the country.

As for Mexico, NAFTA locks in economic reforms to date, and commits the country to timetables for dismantling most remaining corporatist policies. In areas such as investment, antitrust, and intellectual property, NAFTA binds Mexico to legal standards comparable to those in the United States and western Europe. In exchange, Mexico achieves for its agricultural and manufactured products access to the American market unrivaled by any other developing country.

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[2]Maquiladora factories assemble American-made components for reexport to the United States, where duties are assessed only on the value added in Mexico.

AMERICAN OPPORTUNITIES AND ADJUSTMENTS

NAFTA will foster a more efficient deployment of continental resources by instigating the exchange of high-technology/high-skill goods and jobs for lower technology/lower skill goods and jobs between the United States and Canada and their southern neighbor. Capital and labor will become more productive and average incomes will rise in all three countries. However, like all radical changes in public policy, NAFTA will create both winners and losers.

Modernization in Mexico offers vast opportunities to sell computers, other sophisticated electrical equipment, industrial machinery, petroleum and mining equipment, and environmental systems, as well as related business services. The significance of this should not be underestimated. About half the exports from the United States are durable goods, and exports account for about 45 percent of American-made capital goods. In the 1980s the most rapidly growing markets for these products were in the Far East, where Japan, through investments by *keiretsu,* enjoys decided marketing advantages. Accelerated industrial progress in Mexico will help redress the balance of opportunities in favor of the United States. From 1985 to 1992 exports from the United States to Mexico jumped from $12.6 billion to about $40 billion.

The United States stands to gain more from free trade with Mexico than it did from its 1989 free trade pact with Canada. The flip side is that the number of adversely affected American workers will be greater too. In 1989 the Canadian economy was substantially integrated with that of the United States, but this is not the case for the Mexican economy. Much of Mexico's northbound exports come from maquiladoras. During the period from 1985 through 1989 the share rose from 29 percent to 43 percent, and in 1990 maquiladoras firms accounted for 65 percent of Mexico's northbound manufactures (while exports of petroleum were responsible for 31 of the remaining 35 percent). Since the maquiladoras are located close to the border, purchase most of their components from American firms, and re-export virtually all their products, they have in general been segregated from the traditional industrial sector in Mexico. Maquiladoras became so important in bilateral trade because the Mexican government's corporatist policies discouraged many traditional manufacturers from building export capacity. With the dismantling of corporatism, much of Mexico's export potential in low- and medium-technology activities—and the consequences for the competition in the United States—are yet to be realized.

Many observers have compared the addition of Mexico to the United States–Canada free trade area with Spain's and Portugal's admittance into the European Community (EC); such an analogy, however, is specious. When the Iberian nations joined the EC, their average manufacturing wage was about half that prevailing in the Community and their population only about 13 percent of the EC total. Mexican wages are about 14 percent of United States–Canadian levels and Mexico's population constitutes 24 percent of North America's people.

One million Mexicans enter the labor market each year, and migration from rural areas adds to the jobs that must be created. Together, the United States and Canada have only about 20 million manufacturing jobs, so the potential for the dilution of manufacturing wages in the two countries is enormous. The most visible manifestation of this will be relentless wage competition from Mexicans for factory jobs now located in the United States and for accompanying white-collar positions in areas such as apparel, household appliances, processed foods, glass and ceramic products, and the more labor-intensive aspects of the automotive, machinery, and telecommunications equipment industries. Free trade will narrow the wage gap between the United States and Mexico, but it will not do so quickly. If Mexican wage growth exceeded that in the United States by 7 percent a year—an optimistic assumption—Mexican wages would reach 25 percent of American levels by the year 2000 and 50 percent in 2010.

Nevertheless, Americans must accept this competition. Japan is cutting manufacturing costs and specializing in more knowledge-intensive activities by using low-wage manufacturing labor in Asia and reserving product development, technical, and managerial functions for its own workers. Locking out Mexican products and blocking joint ventures with Mexican-based production would only make American firms and workers less productive and competitive than their Japanese rivals. By rejecting free trade, the United States would choose to be a less skilled, lower income society than Japan, with all the attendant consequences of declining living standards.

Under NAFTA, will American businesses be able to rapidly expand production of capital goods, sophisticated manufacturing components, and high-end consumer durables for sale in Mexico? Or will they cede many opportunities to Japanese and European competitors? Much has been said about the high cost of capital and lagging research and development in the United States, but well-run companies can find money in domestic and international markets for worthy projects. The real constraint on American industry is the skills of front-line workers—the 50 percent of the American labor force who have not had any post-secondary education.

Results from the National Assessment of Educational Progress tests indicate that fewer than 10 percent of all 17-year-old American high school students can demonstrate the skills needed to function in a technically demanding work environment or to do college

work. By some estimates, about one in five new workers hired in the United States is functionally illiterate, implying a literacy rate on a par with Mexico's. Most American manufacturers, faced with low-wage import competition, make jobs less demanding and rely on transient workers to push down wages, rather than implementing technology-intensive methods that require more work force training. This is not the case in Japan and the more advanced European economies. American firms are bedeviled by basic-skill problems that their Japanese and European competitors simply do not encounter.

As Mexican products invade American markets, if American front-line workers cannot compete with Japanese rivals to win high-skill jobs they will be forced to compete with Mexicans workers to save old-style, repetitive factory jobs. In that competition, the average American factory worker may have more years of formal schooling, but his or her skills do not justify the current gap between wages in the United States and in Mexico. Layoffs and declining incomes will continue to be the order of the day.

Free trade can be made to work to the advantage of the ordinary American worker only if the United States finally straightens out its public schools and institutes training programs for workers already in the labor force. The fallout from free trade may do more to join the school reform and worker training issues than any presidential task force or Carnegie Commission.

ADVICE FOR MEXICO: MODERNIZE OR...

Mexico faces even more difficult adjustments. As both imports and exports grow, Mexicans who grew complacent under corporatism will not prosper. Greater intra-industry trade and specialization—for example, increased exports of telephones and imports of switching equipment—will require modernization, rationalization, downsizing, and plant closures. This spells tough times for many firms and workers in the traditional industrial centers of Guadalajara, Monterrey, and Mexico City.

Even before NAFTA, falling import barriers and loosened restraints on domestic competition initiated a shakedown in Mexican industry. Frequently, large enterprises with American-trained managers and better access to capital and technology have the advantage over smaller, often family-run, businesses. From 1990 to 1992 about 10 percent of Mexico's 90,000 small and medium-size businesses failed, at the cost of an estimated 100,000 jobs. Over the next several years about 40 percent of such businesses could shut down.

Anecdotal evidence of restructuring is everywhere. Asian garments now abound in downtown Mexico City, while in nearby Puebla textile plants are shuttered. In the toy industry, firms once enjoyed 30 percent profit margins behind a 40 percent tariff; after the tariff was cut in half, 80 of the 265 members of the Mexican Toy Industry Association vanished in a single year. Plasticos Iga S.A., a major manufacturer of foreign brand-name toys under license, shrank from 2,100 employees to just 900 before modernizing management and manufacturing practices.

In the service sector, recently privatized commercial banks, lacking experience in a truly competitive environment, appear to be piling up bad loans, and with NAFTA they will face substantial new competition from American and Canadian commercial banks. The southward expansion of American and United Airlines challenges Aéromexico and Mexicana de Aviación. Similarly, joint venture investments by Wal-Mart and Price Clubs could have devastating consequences for some retailers.

New jobs will be created by investors from the United States and other foreign countries. Players already prominent in Mexico include Ford, Chrysler, IBM, DuPont, Celanese, Motorola, Hewlett Packard, Nissan, and Volkswagen. Mexico also has strong enterprises that could penetrate American markets with exports and by establishing subsidiaries across the border; these include Vitro in glass products, Altos-Horn in steel, Petrocel in petrochemicals, and the Alpha group in packaging, petrochemicals, and auto parts.

In a classic example of intra-industry specialization, Vitro and Corning are combining their consumer housewares divisions. Access to Corning's American and global distribution networks will permit Vitro to aggressively expand sales of high-quality glass, crystal, and ceramic tableware; Corning will at the same time improve exports of cookware to Mexico. Also, Vitro has acquired America Inc., a distributor of flat and auto glass products, perhaps offering a preview of other Vitro forays into the United States market.

Even in Mexico's strong export industries, more intense competition will jolt many enterprises. For example, automotive exports are booming; in 1991 some 250,000 Mexican cars and trucks were sold in the United States. However, auto parts makers have long been protected by requirements that vehicle assemblers purchase large amounts of parts from "national firms" (non-maquiladora suppliers). Consequently the industry is fragmented, inefficient, and undergoing a radical restructuring that even affects United States subsidiaries. For example, the Cummins Engine Co. plant at San Luis Potosí restructured production to cut the time necessary to make a diesel engine from 7 to 2.7 days. Competitive pressures appear to be consolidating Mexico's already highly concentrated industrial structure. The 25 largest firms account for 47 percent of gross domestic product, as compared to only 4.3 percent in the United States. According to one estimate, the profitability of the largest Mexican companies are about double their American counterparts. One or a few firms dominate

many industries—Vitro and Telemex have around 90 percent shares of the glass and telecommunications markets, respectively; Hylsa and Altos Horn control steel; La Moderna and Cigatem dominate tobacco; and Cemex and Apasco are preeminent in cement. Even for the mundane potato chip, Bimbo and Sabritas (the latter owned by Pepsico), together control 75 percent of the market.

Antitrust laws under the corporatist regime encouraged large private monopolies and duopolies, as did the formation of large state-owned industries in telecommunications, food processing, and elsewhere. With an economy only 5 percent the size of the United States economy, building internationally competitive enterprises in many industries virtually requires that only one or a few strong firms emerge. To questions about whether NAFTA will foster the kind of competition from American firms that will curb classic monopoly abuses, I, as an economist, can answer only with a firm maybe.

THE QUESTION OF THE ENVIRONMENT

Mexico's lax enforcement of environmental and workplace safety regulations has caused problems since the outset of the NAFTA negotiations. Approval of the treaty by the United States Senate without action in these areas became politically impossible as reports circulated on pervasive degradation of the environment throughout Mexico, sordid working conditions in maquiladoras, acute public health problems in border communities, and American firms moving south to avoid United States workplace regulations.

Mexico has stepped up efforts to implement its 1988 environmental law, which is comparable to United States statutes. With financial assistance from the World Bank, it is writing regulations and establishing means for enforcement. Bilaterally, in February 1992 the United States and Mexico announced a border cleanup program, increasing funding for air, water, and waste treatment, and doubling Mexican inspectors in the region. The Department of Labor is providing technical assistance to Mexico to improve workplace safety. This is only a downpayment; President Bill Clinton must propose needed additional resources.

NAFTA renounces weakening environmental standards to attract investment. Last September the United States and Mexico established a joint committee to oversee a work program on air, water, and soil pollution, and agreed to establish, with Canada, a North American Commission on the Environment. It remains to the Clinton administration to assert American rights with regard to this environmental guarantee and to place a high priority on the joint committee and North American Commission projects.

Mexico's legal system and business practices may also be in transition because of the economic reforms and the coming of NAFTA. Under the corporatist regime, corruption and selective enforcement of property rights and contracts mandated bribes for bureaucrats handling applications for business permits, union officials controlling workers and shares of the purchases by parastatals, and judges settling civil disputes. Although Salinas recognizes the need to match his pro-market economic reforms with a parallel transformation of the country's legal and business environment, the latter is a more difficult task. The privatization of economic decision making and Salinas's crackdown on union corruption reduces some of the opportunities for bribes, kickbacks, and the like. However, the political necessity of ensuring support for economic reforms among both PRI supporters and opposition party leaders limits progress.

For example, when a Mexico City landlord recently sought to turn a modest apartment building into condominiums, local government officials turned a blind eye when a group organized by a leftist political organization forcibly occupied the building. In another case, the Mexico City government refused to honor contracts to purchase water purification systems from French businessman François Tesson. After Tesson met demands for detailed drawings and specifications that he claimed disclose trade secrets that may be passed on to local competitors, the city canceled the deal.

The costs imposed by corruption and ambiguity in the rule of law in Mexico are uneven. Large foreign and domestic companies, with armies of lawyers and the political leverage afforded by access to capital and technology, can more effectively insulate themselves from the worst abuses; for smaller firms, outcomes can be arbitrary, randomly wrecking businesses. This climate could discourage exports and investments by many smaller American firms. NAFTA will provide foreign investors with international arbitration panels, but if selective enforcement of property rights and contracts remains pervasive, the administration in the United States will have to assert American interest in a stable legal environment that foreign business can rely on.

Although Salinas has put economic progress ahead of political reform, he has taken some steps to clean up Mexican politics. Of immediate importance, he has established a voter identification system and tightened ballot counting, reducing, though not eliminating, electoral fraud. Additionally, the privatization of economic decision making, including union and land reform, frees workers and farmers from semi-feudal dependency on the governing party; it weakens the party's hold on an electoral majority that has awarded PRI candidates the presidency for a half-century. PAN has elected Mexico's first non-PRI governors, in Baja California Norte in 1991 and Chihuahua state last year.

However, Salinas has not addressed the overwhelm-

ing advantages the PRI enjoys as the "official party" in campaign financing and access to the media. And Salinas cannot completely control the behavior of local party officials who, nervous about the consequences of ceding power to an opposition party, continue to seek ways to rig elections. Consequently, even when PRI candidates win clear victories—specifically, where their electoral margins are large enough to render insignificant any possible irregularities—they lack legitimacy.

In 1991 and 1992 civil unrest, sparked by allegations of electoral fraud, forced Salinas to replace victorious PRI gubernatorial candidates with other PRI officials as interim governors in San Luis Potosí and Michoacán; in Guanajuato state Salinas named a PAN official to take the place of a newly elected PRI governor. Most recently, Salinas has managed to resist challenges to PRI victories in Sinaloa, Tamaulipas, and Puebla states.

All this raises the question of who will enforce the outcome of the next presidential election. And if, because of postelection unrest and negotiations, a PRI president is forced to share authority in a coalition with the right or the left, one wonders what will happen in the delicate areas of treatment of property rights and the regulation of monopolies, and with Mexican compliance with the requirements of NAFTA.

GRASPING THE BENEFITS

Free trade with Mexico offers Americans important opportunities to build a wealthier society. However, to profit fully from NAFTA, the United States must strengthen the weakest links in its economic and social infrastructure—public schools and work force training. If the United States can address these, then, like Japan, it can relocate ordinary factory jobs to Mexico and place greater emphasis on high-paying, knowledge-intensive activities at home. Through continental specialization, Americans can compete toe to toe with overseas rivals.

Should the United States implement NAFTA without building a comprehensive network of training programs, ordinary blue- and gray-collar workers will increasingly compete with Mexicans to preserve low-skill, monotonous jobs. Many professionals and technical workers may profit from free trade, and average incomes will rise, but ordinary working people will watch their living standards continue to decline. Already diminishing popular support for outward-looking, liberal trade policies could wither completely.

After decades of ambivalence toward the United States, Mexico is opening its economy and society to American business culture and values. NAFTA presents the best opportunity to ensure that Mexico becomes firmly established on a free market development course. In engaging Mexico, however, Americans should be realistic about the state of affairs there. In areas of direct interest such as the environment and workplace conditions, Americans should recognize the magnitude of the challenges its neighbor faces relative to its economic resources. Merely demanding that Mexico do better or threatening to withhold trade benefits will prove much less successful than assisting Mexico to acquire the needed resources. The Bush administration put in place several bilateral mechanisms that permit the United States to support Mexico; now it is up to Clinton to devote money and bureaucratic resources to the job.

In Mexico, the vestiges of corporatist justice, abuses by monopolies, and political uncertainties increase the risks and costs of doing business. Modernization in these areas would increase the benefits both countries receive from bilateral commerce, and NAFTA should help in several dimensions. For example, the agreement contains strong provisions regarding the rights of foreign investors and the modernization of Mexican antitrust and intellectual property enforcement; these provide the United States with a means of encouraging Mexico to maintain adequate legal protections for American interests.

Free trade, in addition, vitally supports economic reform in Mexico, which in turn undermines the old corporatist system. The privatization of economic decision making loosens the PRI's grip on the economic levers of political control, adding to pressures for genuine multiparty democracy. Overall, NAFTA will serve United States global economic objectives and policy goals of supporting economic and political modernization in Mexico. ■

"The nations of Latin American do not aspire to integrate among themselves, with Mexico or without it; they seek integration with the 'great ruling centers of world dynamism,'" according to Jorge Chabat. And despite attempts at stronger regional ties, the author says, Mexico returns the sentiment, casting its lot in with the north.

Mexico: So Close to the United States, So Far from Latin America

BY JORGE CHABAT

At the beginning of this century, Mexican dictator Porfirio Díaz characterized the geographical reality of Mexico thus: "Poor Mexico, so far from God, so close to the United States." Eighty years later, Díaz's diagnosis still seems accurate. It is common to hear complaints that Mexico has "abandoned" Latin America because of its growing links with Washington. Negotiation of the North American Free Trade Agreement (NAFTA) is held to be only the tip of the iceberg; "Americanization," critics say, has for the last decade afflicted Mexican foreign policy. Those who maintain this—mainly nationalists or leftists—believe that a common heritage and culture, and past North American imperialist exploitation of the Latin American countries, are strong reasons to support a Mexican overture toward the rest of the hemisphere. Behind their argument lies a view of Latin America as a peripheral region that has failed to benefit from the terms of trade imposed by the "Great Powers," the United States foremost among them—a situation, the critics say, that Latin American countries can modify by their collective action.

By contrast, Mexico's official position is that Latin America has been and is now a priority for Mexican foreign policy. The constant diplomatic activity in the area and Mexico's active role in regional organizations are cited to support this perspective. As a concrete indicator of its Latin American bona fides, Mexico points to the signing of a free trade agreement with Chile in 1991, before the conclusion of the NAFTA talks.

There is yet another view, rarely heard in academic or official circles but expressed "confidentially" by United States Ambassador to Mexico John D. Negroponte, that maintains the real focus of Mexican foreign policy—the United States—has been "masked through various defensive mechanisms." In this view, adopting NAFTA "would institutionalize acceptance of a North American orientation to Mexico's foreign relations."[1]

These three perspectives on Mexican foreign policy and the role Latin America plays in it reflect the changes that have occurred as Mexico has stepped onto the world stage in the past decade. Although these views about the importance of Latin America differ considerably, all help illustrate the transformation of the Mexican economy during the 1980s and the Mexican government's responses to this alteration. They can also help in understanding the complex agenda of Mexican foreign policy in the 1990s.

MEXICO AND LATIN AMERICA AFTER WORLD WAR II: A SENTIMENTAL JOURNEY

During the postwar period, Mexican foreign policy was defensive and passive. The reasons for this were many: the economic attraction exerted by the United States, the lack of any concrete Mexican interests outside the country's borders, the implementation of an import-substitution economic model that blocked foreign commercial transactions, and the absence of political concordance with pro-United States Latin American governments during the cold war. As a result, and despite a tentative approach to the region begun during the late 1950s, by the 1960s the

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[1]This position was expressed by Negroponte in a confidential memorandum to Assistant Secretary of State Bernard Aronson that was published in Carlos Puig, "Conclusión de Negroponte: con el Tratado de Libre Comercio, México quedaría a disposición de Washington," *Proceso*, no. 758 (May 13, 1991), pp. 6–11.

relationship with Latin America was, as the Mexican diplomat Antonio Gómez Robledo pointed out, at "the sentimental level."

However, the failure of the Mexican economic model, clearly evident at the end of the 1960s, gave Latin America a growing importance in Mexico's eyes. In the third world strategy developed by President Luis Echeverría, the political support of Latin America was very important. The region supported the core of Mexico's third world project: the Charter of Economic Rights and Duties of States, approved by the United Nations General Assembly in 1974. Latin America also provided a good environment for the initiatives resulting from the new Mexican activism. In 1975 Mexico obtained the backing of a large number of countries in the region for modifications to the Organization of American States (OAS) charter that allowed the lifting of the diplomatic and economic embargo against Cuba.

That same year, Echeverría and Venezuelan President Carlos Andrés Pérez sponsored the creation of the Economic System of Latin America, with headquarters in Caracas. However, despite these attempts to reduce the traditional United States hegemony in the area and modify the patterns of exchange, Mexico's integration with the rest of the continent did not proceed further. In fact, trade with the rest of Latin America remained at about 5 percent of total Mexican foreign trade. In 1980 President José López Portillo complained that all the multilateral efforts to promote regional integration had traveled the "roads of the absurd." Mexico's political isolation from the rest of the continent had become evident. The 1981 French-Mexican communiqué on El Salvador, which granted political representation to the Salvadoran guerrillas, was backed only by Nicaragua, Grenada, and Panama, and acknowledged by Cuba. The "Caracas Declaration," proclaimed in opposition to the communiqué, was supported by many of the most important countries in Latin America: Venezuela, Colombia, Argentina, Bolivia, Chile, Guatemala, Honduras, Paraguay, and the Dominican Republic.

Given this background of aborted attempts to collaborate with Latin America, the creation of the Contadora Group by Mexico, Venezuela, Colombia, and Panama in January 1983 represented a significant step toward cooperation. The goal of this group was to find a peaceful solution to the conflicts in Nicaragua and El Salvador. Although the Contadora process never resulted in the signing of a formal peace document, it represented Mexico's political discovery of Latin America. Paradoxically, the orientation of the group was not based on rhetoric about the need for cultural unity but was instead a concrete response to a definite threat: the instability the crisis in Central America could bring to neighboring countries.

The absence of other threats explains Mexico's general reluctance to favor concerted Latin American action. Despite calls at a 1984 meeting in Cartagena for a "political solution" to the problem of repaying Latin American foreign debt, Mexico refused to join in, deciding instead to repay its debt under the prevailing rules of the game in the international financial system. This attitude contrasts clearly with the third world rhetoric that had pervaded Mexican foreign policy during the first half of the 1970s.

The inherent pragmatism that drives Mexican collaboration with Latin America can be seen in the history of the Contadora Group. As soon as the threat of instability in Central America vanished, the Contadora Group was dissolved. It was reconstituted in 1987 as the so-called Group of Eight, composed of the original Contadora members plus the countries of the Contadora Support Group: Argentina, Brazil, Uruguay, and Peru. The Group of Eight renamed itself the Group of Rio after Panama was suspended in 1988 because of the lack of democracy there (Peru was suspended after the "self coup" in 1992 by President Alberto Fujimori). But the end of conflict in Central America left the group without a focus and has made the Group of Rio a kind of social club that allows the Mexican government to present a façade of collaborating with Latin America at a time when it is probably more necessary than ever.

Working Hard for the (Foreign) Money

In his 1988 inaugural address President Carlos Salinas de Gortari proposed "new balances" in the relationship with the United States, and a close relationship with Canada. He also advocated a "vigorous policy" of continuing relations with Latin America and strengthened linkages with the "integrating dynamics" of the European Community. He contemplated "new and broader channels of communication" with the Pacific Basin, a "relationship of friendship" with the Soviet Union and India, and "broad cooperation" with China and the countries of Asia and Africa.

As one can easily imagine, implementing such an agenda is virtually impossible. It is hardly a secret that all governments try to maintain good diplomatic relations with many countries by according them rhetorical importance. But behind the image of a universal country that is friend to everyone, there is a real agenda. From the beginning of the Salinas administration it was obvious that the project of economic liberalization would determine the government's priorities. Economic reform, which had been initiated by the de la Madrid government during the 1980s, centered on removing trade barriers, promoting exports, and attracting foreign investment. The traditional role of the United States as Mexico's main commercial partner (buying between 60 percent and 70 percent of its exports) and as a primary source of capital (responsible for a similar proportion), made the "Colossus to the North" the natural center of Salinas's economic strategy.

Six months after his inauguration, Salinas changed

the regulations of the 1973 Law on Foreign Investment to allow for 100 percent foreign ownership of property. Concurrently, he placed great emphasis on improving relations with the administration of United States President George Bush. The results of this strategy were felt immediately: conflict with the United States decreased significantly, while foreign investment began to grow, though not as much as expected. However, the Salinas government was always cautious about projecting at home an image of excessive closeness with the United States. Thus during its first two years the government insisted that the country's sovereignty would be maintained, asserting that friendship with the United States should not come "at the expense of the values that determine our essence and constitute us as a nation."[2] Moreover, in reference to a common market with the United States and Canada, Salinas himself denied in mid-1989 that Mexico wanted to be assimilated into any economic or political bloc.

Nevertheless, it seems that geography is destiny. As economic reform advanced, Salinas began looking for foreign partners other than the United States through broader contacts with what he called the "great ruling centers of world dynamism": Europe and the Asian countries of the Pacific rim. But the meager results of his trips to the industrialized countries in these regions forced Salinas to admit to geographical and economic reality; after the dour results of a tour of Europe at the beginning of 1990, he initiated negotiations leading to Mexico's entrance into NAFTA.

Leaks to the American media about the talks led Salinas to organize a process that would quickly gain legislative support for the treaty. In May 1990 the Mexican Senate, which is controlled by the ruling Institutional Revolutionary Party, formed at Salinas's request a National Forum of Consultation, which recommended the negotiation of a free trade agreement with the United States. The Senate recommendation echoed the government's concerns about sovereignty and pointed out that such an agreement, "unlike a common market, would preserve the political and economic sovereignty of the country and leave Mexico free to establish its own trade policy with the rest of the world." This was the internal endorsement that Salinas needed, and on June 10 he and Bush announced their decision to gradually eliminate all trade barriers between Mexico and the United States.

Since then, the conclusion of NAFTA has become the Salinas administration's top priority. The friendship between the United States and Mexico evident since 1988 has become a fundamental part of the NAFTA negotiations—as has the desire to avoid any and all conflict. Contentious issues like the United States Drug Enforcement Administration (DEA)-sponsored kidnapping of Mexican doctor Humberto Álvarez Macháin in April 1990 have provoked only symbolic protests from the Mexican government. (The doctor was wanted in connection with the killing of a DEA agent.) The Salinas administration has had uppermost in its mind more profitable concerns: for example, expectations for NAFTA have helped increase direct foreign investment in Mexico considerably since 1991, substantially aiding the management of the current account deficit.

It is difficult to predict how the NAFTA negotiations will be affected by Bill Clinton's election to the presidency of the United States. But it is certain that, at least for the near future, Mexico's foreign policy views will parallel those of the United States. Does this mean the end of what Ambassador Negroponte called the "masking" in Mexican foreign policy? As we shall see, it rather signals the opposite.

THE SALINAS BALANCING ACT IN LATIN AMERICA

To a large degree, the legitimacy of governments in Mexico has been built on a strong anti-American nationalism. Those in power have nurtured this attitude in recent decades to the point where any rapid modification of the state's stance could have provoked a nationalist reaction. This explains Salinas's care in maintaining the image of national sovereignty while pursuing a closer friendship with the United States. However, since the government was unable to elicit the economic interest of the "great ruling centers of world dynamism," it was logical to expect that its balancing strategy would then concentrate on Latin America, a region that does not provoke negative reactions from the Mexican public and where the cost of such a policy is very low.

While Latin America has been part of the Mexican foreign policy agenda since the commencement of the Salinas government, the speed and breadth of Mexico's diplomatic activism in the region during the administration's first four years quickly surpassed all previous expectations. Salinas continued participation in the Group of Rio, augmented now by Chile, Bolivia, Ecuador, and Paraguay. Salinas also tried to diversify Mexican foreign policy by creating new Latin American forums. To this end, the so-called "Group of Three" was constituted after the Mexican president's July 1989 trip to Colombia and Venezuela. Although it has yet to develop a clear profile, it seems the Group of Three will serve as a framework for commercial integration among the three countries and as a mechanism for addressing common political concerns, such as Cuba.

Salinas also sponsored the celebration of the First Iberoamerican Summit in the city of Guadalajara in July 1991. This brought together the leaders of all the Latin American nations and those of Spain and Portugal. While the results of the meeting did not

[2]Statement of Mexican Minister of Foreign Affairs Fernando Solana in *Excélsior* (Mexico), August 8, 1989.

significantly alter traditional Latin American discussions about intraregional relations, the initiative suggests Mexican will to provide active political leadership in the region. Additionally, the forum gives a European dimension to Mexican diplomacy in its dealings with Latin America.

Furthermore, Mexico has increased its role in promoting subregional initiatives and bilateral cooperation. Salinas facilitated the peace talks between the rebels and the government in El Salvador during 1991, which led to the January 1992 peace agreement. (Mexico has also been the site of peace talks between the guerrillas and governments of Guatemala and Colombia.) In August 1991 the Mexican government signed a Framework Agreement for Trade Liberalization with the Central American countries.

At the bilateral level, the most important achievement of the Salinas government has been the signing of a free trade agreement with Chile in September 1991. The conclusion of this agreement almost one year before the announcement of the end of NAFTA negotiations must be seen as a clear sign of Mexico's desire to counterbalance, in a formal way, the evident importance of the United States in its foreign policy.

Despite all the diplomatic activity, it would be a mistake to conclude that Latin America is as important as the United States in Mexico's balancing act. In commercial terms, the region represents only about 5 percent of total Mexican foreign trade (trade with Chile accounts for less than 0.4 percent). Moreover, all the region's countries are competing among themselves for capital from the industrialized countries, and they are also vying for new markets. The nations of Latin American do not aspire to integrate among themselves, with Mexico or without it; they seek integration with the "great ruling centers of world dynamism."

It is true that there are some possibilities for greater cooperation in the political realm. These, however, are determined by the self-interest of the countries involved, not by any cultural unity inherited from the colonial past. The peace agreement in El Salvador is an example of how Latin American countries, with the cooperation of international organizations, can create an improved political environment. The Group of Three's call for reforms in Cuba further illustrates how the countries can act together.

However, closer Mexican cooperation with the Latin American countries on this issue brings with it some difficulties. While it seems that, for the moment, there is a consensus in the region that the market is the best mechanism for regulating the economy and representative democracy the best means for regulating political conflict, Mexico is still reluctant to submit its democracy to foreign scrutiny. Mexico's idiosyncratic concept of sovereignty has in the past led to serious differences with other Latin American countries. The suspension of Panama from the Group of Eight in 1988 because the "enforcement of its democratic institutions" had been compromised was strongly opposed by Mexico, which in the end accepted it only if mention of the principle of nonintervention was incorporated in the group's communiqué. Mexican diplomats opposed any military action by the OAS to reestablish democracy in Haiti after the 1991 coup that deposed President Jean-Bertrand Aristide, despite the fact that Mexico condemned the coup. Inside the Group of Three, Mexico has tried to distance itself from Venezuela's open calls for establishment of the "universal concept of democracy" in Cuba. Mexico has also had serious differences with the OAS's Interamerican Commission on Human Rights, which has criticized the government for anomalies in elections during the mid-1980s.

MEXICO'S "NOUVEAU RICHE" SYNDROME

It is difficult to form a clear picture of the "new world order" after the end of the cold war. However, it seems that the split between the North and the South is widening. The reduction in the third world's share of world trade and capital flows in recent years supports the thesis of a "great power society": a core of industrialized, interdependent, peaceful, and democratic countries, and a periphery of impoverished and poorly interconnected countries in conflict. Under this thesis, the challenge for third world countries is not how to become independent of the industrialized nations but how to avoid being left out of the exchange networks. From this perspective, Mexico is trying to board the only boat available: the United States.

With NAFTA as an anchor, Mexico expects to become part of the core. Since the Salinas government took office, Mexico has been trying to get into the "rich countries club": the Organization for Economic Cooperation and Development. Early last year the OECD invited Mexico to its meeting in Paris, at which the country's possible admittance was discussed. The efforts of the Salinas administration to reduce inflation to levels similar to those in the industrialized countries (a rate of about 12 percent for 1992 and 7 percent for 1993 are expected), and the revaluation of the Mexican peso (which has moved the exchange rate to about three pesos per United States dollar) must be seen as efforts to enter "the club."

Despite the attempts by the Salinas government to diversify the economy through an increase in ties with other industrialized countries, the compass of the foreign economic agenda has continued to point north. There is no doubt that Mexico is suffering from the "nouveau riche" syndrome. To accuse it, however, of "abandoning" Latin America is an error. Mexico has never been part of the broader Latin American economic and political dynamics. It has only been the poor part of North America—for better or for worse. ■

"As it stands, Salinas has few cards left to play. The president began his term trying, as most Mexican rulers have, to provide an economic answer to a political problem. He will end his term with perhaps no choice but to find a political solution to an economic quagmire. Muddling through and hoping for the best is the most likely option, but not quite the most distinguished."

The Clouding Political Horizon

BY JORGE G. CASTAÑEDA

The Salinas years have often been viewed from abroad as an exercise in opposites. The contrasts between economic reform and political inertia, and between international acclaim and domestic skepticism, are often pointed to as the defining features of this turbulent, critical, and inevitably confusing time in Mexican history. Yet there is a case to be made for venturing beyond this accurate but ultimately simplistic perception of a country in the midst of a much more complex transformation.

Indeed, the links between the political sphere and economic performance, as well as those crossing the internal-external divide, are much stronger, more causal and far-reaching than many accounts have made them out to be. From this perspective, President Carlos Salinas de Gortari and his team were forced for *political* reasons to undertake a broad and bold program of *economic* reforms, whose dynamic has led to deeper changes that have rendered political reform impossible in the short run. Support from abroad has made both feasible: radical economic change and political stagnation.

The economy's dramatic collapse or the reform effort's spectacular success could have forced or encouraged the long-awaited political opening. And a continuation of Mexico's "free ride" in Washington would have allowed Salinas to choose the pace and breadth of modifications in the political arena. But the actual outcome—mediocre but not disastrous economic results—and the end of the Salinas-Bush interlude have laid the groundwork for a tense and unpredictable "*fin de sexenio*" in 1994. This has brought the issue of political reform under dubious economic circumstances to the fore once again.

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SALINAS IN 1988: THE ORIGINS OF A DILEMMA

The course the Salinas years have followed cannot be understood without going back to the 1988 presidential election. The leitmotif of the Salinas term has been to win in office the elections he stole at the polls, at least in the eyes of a majority of the Mexican people. In a sense, Carlos Salinas has never stopped campaigning; more literally, he took power in late 1988 with the clear purpose of reconquering the constituencies he and his party—the 60-year-old Revolutionary Institutional party (PRI)—had relinquished to apathy, resentment, or the opposition. The economic decisions made in the early days of the administration all derive from that goal.

In some cases the options were simple. The private sector, the United States, and the Roman Catholic Church all played key roles in helping Salinas surmount the terrible obstacle that the widespread tampering with the electoral results had become. The business community was so fearful of Cuauhtémoc Cárdenas, Salinas's rival, that it quickly renounced any hints of democratic aspirations and aligned itself with Salinas. The president of the United States, Ronald Reagan, cabled Salinas his congratulations on winning the election before the vote-counting authorities in Mexico had declared him the victor. The Church had a decades-old agenda, and was more than willing to support the new president in exchange for legalization, the establishment of relations with the Vatican, and a loosening of the state's grip on the educational process. It demonstrated both its willingness to cut a deal and the extent of the opportunities in store by attending Salinas's inauguration in religious garb.

But other, less elite constituencies were somewhat more difficult to placate. If Salinas lost on July 6, 1988, he did so in the ranks of the middle class. Precise data were hard to come by, since all 55,000 precinct-by-precinct tallies were never fully published—and the

ballot packages will never be opened, since they were incinerated in early 1992—but large chunks of the urban middle class—in Mexico City and the metropolitan area, Guadalajara, Tijuana, the mid-size cities of Veracruz—voted overwhelmingly against the PRI: either for Cárdenas, or for right-of-center Party of National Action (PAN) candidate Manuel Clouthier. The peasantry, to the extent that it voted at all, did turn out for Cárdenas in certain areas—La Laguna in the north, Michoacán in the center of the country—but was not a major problem. The labor vote also abandoned the PRI in some sectors—the oil towns of Tamaulipas, Veracruz, Guanajuato, and the industrial suburbs of Mexico City—but the corporativist vote remained largely intact. The critical test for Salinas consisted in recapturing an angry and crucial middle class electorate that had deserted the ruling party in droves.

Two issues thus became extremely important. Nothing is as sensitive for any Latin American middle class as price stability; nothing is as decisive for the Mexican middle class, and for determining stable prices in Mexico, as the exchange rate. Salinas had his work cut out for him. If he wanted to bring the middle class back into the fold, he had no choice but to harness inflation and stabilize an exchange rate that had plummeted from 25 pesos to the dollar in February 1982 to 2,500 when he took office. But he also had to put some growth back into the economy, create jobs, increase spending, and get incomes rising again; Mexico's teeming poor were not going to remain quiet forever, and the 1988 elections represented a clear warning in that respect also. The capital's Solidarity "aid for the poor" program was set up with that warning in mind, but it was meant only to provide temporary relief until real economic growth kicked in.

In order to achieve these multiple and sometimes conflicting goals, several policies had to be implemented simultaneously. The external accounts had to be squared: with Mexico's continuing net negative transfer of resources abroad through debt service and capital flight, exchange rate stability was impossible. Without bringing the budget deficit under control, inflation would never diminish to a level that would allow the price of the dollar to hold steady. And devoid of large volumes of private sector investment, growth was impossible, since the public sector no longer had the money or the will to function as the economy's locomotive.

For these reasons two steps were essential: a new debt deal and the revival of private sector confidence. Large exchange reserves and trade liberalization would act as the so-called anchors of the economic policy program, allowing the management of the exchange rate and the placement of a ceiling on domestic prices through cheap imports. But the importance of the open border and the appreciating exchange rate was above all political. The middle class was able to travel and purchase imports, giving the new regime breathing room. It forgot its resentment over electoral fraud, corruption, and authoritarian practices, thanks to trips to Orlando and imported microwave popcorn. The regime put that respite to excellent use by settling matters with the international financial community and the private sector.

It is worthwhile stressing the point that so many have underlined over the previous years: as long as the Mexican economy was exporting up to 6 percent of gross domestic product (GDP) per year in savings to the rest of the world, it could not grow. Renegotiating the debt and renewing voluntary lending, repatriating flight capital, and enticing new foreign investment were necessary objectives of any economic policy. But because Salinas did not have a great deal of time available—neither the truce with the middle class nor the patience of the poor was eternal—he had to settle for a specific, highly conservative mix of these ingredients. He started off with the debt, and the results sealed the fate of his *sexenio.*

The debt deal the Mexican authorities reached with the banking community in July 1989, and which was formally signed in February of the following year, was inadequate. The debt relief it provided—a net reduction somewhere between 10 percent and 12 percent of the country's debt with commercial banks, and a similar cut in debt service—was hailed as pathbreaking, but in fact only partially stanched the nation's financial hemorrhage. Because it applied exclusively to half the outstanding debt, because it implied taking on new debt as security for the old one, and because it reduced the debt by just 35 percent, the overall improvement in the financing picture was insufficient.

It is likely, as many others have stated, that a different debt policy, under the same time and political constraints, would not have delivered a better outcome. But it is also true that those constraints were a direct product of the way in which Salinas reached office. He could not choose temporary confrontation with the United States because he owed Washington a great deal; he could not risk alienating the Mexican private sector, if only for a short while, because it constituted his only source of domestic support at the time. Neither of these limitations was of God's making.

The Salinas government knew all this, and deliberately oversold the deal with the aim of achieving through spin and expectations what had not been accomplished at the bargaining table. By declaring the debt crisis over—on television Salinas actually invited the Mexican people to stand and sing the national anthem to celebrate—the president hoped to jawbone domestic interest rates down and flight capital back to Mexico, thereby obtaining the same results that a good debt agreement would have provided. But although some success was encountered on both fronts, by the

end of 1990 it was quite clear to the president and his team that both domestically and externally, something else had to be done. As one scholar put it two years later: "The direct savings in cash flow. . .was not impressive. Government officials. . .were confident that the indirect effect of the agreement would boost the private sector's confidence, encourage capital repatriation, and, therefore, produce lower domestic interest rates and encourage economic growth. When that did not happen quickly enough, other alternatives had to be pursued. . . . However, these had not produced a step-wise change in badly needed capital flows. . . . There was a need for policies that would. . .'shake up' expectations."[1] Thus the banks were privatized and the North American Free Trade Agreement (NAFTA) initiated because the debt deal proved insufficient, and not as the logical steps in a previously thought-out plan.

THE FORGOTTEN ELEMENTS

It is important to note several elements that had been present and known in Mexico for many years, but that for some reason were subsequently forgotten. Previous administrations had sought to gradually liberalize Mexico's trade, only to find that the middle class's appetite for imported goods, and the industrial sector's demand for imported inputs and raw materials, were virtually insatiable. Moreover, the combination of an appreciating exchange rate, a relatively open border, and a modestly growing economy would quickly generate an enormous trade deficit that only massive foreign borrowing or investing would alleviate. Finally, it was conventional wisdom in Mexico that the private sector, no matter how much the regimes of Presidents Luis Echeverría and José López Portillo antagonized it, was notoriously uncommitted to long-term investment, planning, and profits in Mexico. Once the excesses of the previous years were rectified, any Mexican government would find itself back where its predecessors found themselves in 1970: with a private sector reluctant or incapable of pulling the share of the load that was thought to be fair. The state had not stepped in because of greed, inertia, or foolishness: it had simply filled a void left by others.

By early 1991 it was obvious that the debt deal, the largely nickel-and-dime privatizations, and the much improved image of Mexico in the United States would not suffice to finance a burgeoning current account deficit. The gap had already grown to $7 billion in 1990, not too large an amount given that the economy actually grew a healthy 4.5 percent, but a source of concern for the future. While targets agreed on with the International Monetary Fund (IMF) and the World Bank provided for a current account shortfall of 2 percent of GDP, with 4 percent growth, it was logical to expect that the external accounts would deteriorate further, and the growth figures be somewhat less favorable in the coming years. Furthermore, if Salinas truly wanted to attain between 5 percent and 6 percent growth by 1993–1994, as his original plan stated, a great deal more money was going to be necessary. There seemed to be insufficient financing available, and new incentives had to be found.

This is the real story behind the large-scale privatizations announced in 1991, and the decision by President Salinas to seek a free trade agreement with the United States and later with Canada. The lack of European and Japanese funds was a false argument: the new Mexican team never really expected other areas to foot the bill for Mexico's recovery. The problem was that existing levels of funding from the United States were simply not substantial enough to finance higher levels of growth, infrastructure, trade, and modernization, let alone Salinas's political agenda for the poor. As many analysts at the time pointed out, the entire economic reform package was "underfunded."

NAFTA and the announcement of the selling of Mexico's banking system, which had been nationalized in 1982, attracted bushels of dollars back to Mexico over the following 18 months. The banks brought in approximately $12 billion; an additional $10 billion to $15 billion flowed in as a result of anticipated earnings or expectations from NAFTA. No one had expected such large amounts to enter Mexico in such a short time; clearly this was Carlos Salinas's greatest success. He seemed to have won his gamble. By accommodating American policy and ideological demands—privatization, trade liberalization, foreign investment, intrusive drug cooperation, a muted foreign policy—Mexico's young and daring political team had restored confidence in the private sector, neutralized middle class discontent through reined-in inflation and a stable exchange rate, and parlayed President Bush's sympathy for Mexico, the new policies, and the Salinas family into dollars and cents. The economy was growing, investment was pouring in, and the opposition was floundering, split between PAN's opportunism and Cárdenas's intransigence. This was the new Mexican miracle. Strangely enough, it was one that its architects themselves did not seem to take too seriously.

THE OTHER SIDE OF THE MIRACLE

In fact, matters were more complicated. The tell-tale sign appeared in the electoral process. Salinas faced national legislative elections in August 1991, and the PRI gubernatorial races in one state after another. On taking office Salinas had pledged to reform Mexico's electoral system, and like every one of his three

[1]Nora Lustig, *Mexico: The Remaking of an Economy* (Washington, D.C.: Brookings Institution, 1992), pp. 56–57. The original shortcomings of the debt agreement were pointed out in Jorge G. Castañeda, "Mexico's Dismal Debt Deal," *The New York Times*, Feb. 25, 1990.

predecessors, he quickly had Congress approve new electoral legislation. But although the new law was supported by PAN, the left-of-center opposition and many critics viewed it as inadequate, and more gravely, as leaving intact the government's control of the entire electoral process. While the 1991 congressional election was hailed in some quarters in the United States as "the cleanest election in Mexican history" (which was not saying much), myriad contradictions plagued the results, if not the process itself. Indeed, the government was still acting as if the PRI could not win a truly free and fair process, which only deepened suspicions that the process was not free and fair. The refusal to relinquish control of the electoral organs, or to allow international monitoring of the vote, confirmed the opposition's doubts.

Turnout, contrary to every historical precedent, jumped in relation to the previous presidential tally. Nearly 25 million voters went to the polls, in contrast to roughly 18 million in 1988, according to official figures. More strangely still, the PRI's performance improved in absolute terms in almost exactly the same proportion as overall turnout: approximately 7 million more ballots in its favor. Although Salinas had managed to pump-prime the economy during the previous 12 months, achieving growth rates for that period over 5 percent, the results were startling. Never before had more people voted in unimportant congressional elections than in all-important presidential ones; only in uncompetitive elections had the PRI reaped nearly 100 percent of the benefits of increased voter turnout.

But most important, the August 1991 elections marked the beginning of a peculiar Mexican run-off system that came to be known as "*la segunda vuelta,*" or second round vote. This term was applied to events in the governor's races in the states of Guanajuato and San Luis Potosí in 1991, and subsequently to the municipal elections in the state of Tabasco in late 1991, and to the gubernatorial election in Michoacán in 1992. The practice, if not the theory, of this procedure was simple. The PRI, with the full support of the central and state governments, would go all-out to win a local election, by hook or by crook. Roll-padding, unlimited resources available to its candidates, selective voter registration, highly controlled access to the media, dirty tricks—nothing was too outrageous.

The PRI candidate was then declared the victor and all of the legal steps were dutifully carried out. In the case of San Luis Potosí, the new governor was even inaugurated in the presence of President Salinas, and all was well that seemed to end well. But if popular protest, international outcry and pressure (potential or real), and political considerations got out of hand, that same new governor was quickly jettisoned and another state official, whose appointment was previously negotiated with the opposition, was enthroned. With the exception of the municipal elections in the city of Cárdenas in Tabasco, he was never the rival candidate: the point was that the official election results were not questioned, but that "political realities" were duly taken into account. What the opposition was unable to achieve at the polls, it won back in the streets and plazas of Mexico's provinces.

While the defenestration of the "victorious" PRI candidates was the only reasonable solution to the local crises that erupted, it was also clear that the process thoroughly tarnished an already scarcely credible system. Moreover, something strange happened to the presumed PRI electorates: once their candidates were removed from office, they vanished. There were no protests, no demonstrations, no obviously visible discontent as a result of the reversal of the electoral outcomes. Either the voters for the eventually defeated PRI candidates never existed, or they were not willing to fight for their choice.

Two issues were in fact at stake here. In the first place, it was Salinas, and not the voters, who decided who would be governor. Because of the way the system worked, only the president could make such a decision, and the concessions made to the opposition were just that: giveaways to the protests in the street, not respect for the electoral process. Worse still, they ushered in a style of governing that would prove highly damaging to Salinas and the system as a whole: under pressure, cave in. This method was used on two further occasions, both of which left deep wounds in the political and intellectual community. The first had to do with the mother of all taboos in Mexico: re-election. The second involved the searing debate about textbooks for Mexico's schoolchildren—who should write them and how they should be written.

In October 1992, the interim PRI governor of San Luis Potosí, Gonzalo Martínez Corbalá, named in 1991 after the PRI candidate's resignation, resigned in turn and then declared his intention to run in the upcoming by-election for the state's governorship. Because Corbalá had been Salinas's first boss in public administration, the virtual re-election bid was widely perceived as a trial balloon for something that had been on many analysts' and politicians' minds: the young, apparently popular, and undoubtedly ambitious president was also harboring re-election hopes, like so many of his predecessors. The uproar over the San Luis feint was deafening, and very quickly Corbalá backed off, withdrawing his candidacy. Both his attempt and his retraction were seen—rightly or wrongly—as decisions made by Salinas. Once again, the president had quickly given in to pressure from the streets and the press. According to one high official in the Salinas regime, the incident provoked the most serious political crisis in the entire presidency.

Behind the disconcert lurked a typical interface with the outside world that was both unintended and prejudicial to the Mexican state. In the past, electoral

strife, while constant and intense, always confronted a basic limit: the government's capacity to use force when matters went too far. One of the reasons electoral conflicts had begun to get out of hand was the ease with which the opposition could now call the government's bluff: because of the ongoing free trade negotiations with Washington, and the government's heightened sensitivity to external criticism, the regime entered each postelectoral fray with both hands tied behind its back. The threat to use force was no longer credible what with CNN cameras and *Washington Post* reporters standing by to relay the story to anti-NAFTA staffers in the United States Congress.

Salinas acted in similar fashion with the textbook scandal. A high priority was bestowed on educational reform by his administration in 1992, and a vast program was launched with much fanfare. New history books for elementary school were commissioned and were to contain a purportedly more balanced content on issues such as the Church, Porfirio Díaz's dictatorship, and relations with the United States. But when they were made public in August they unleashed an archetypically Mexican outcry. The contents and the way in which the contracts to draft and print them had been awarded opened a national debate among the teachers union, intellectuals, politicians, the armed forces, and even former presidents. At the end of the day, Salinas repeated his performance in the state governors disputes: he submitted to criticism and gave in, shelving the textbooks. Again, this was undoubtedly the wisest course to follow under the circumstances; it was also the most damaging.

The political confusion and stagnation—this "perestroika without glasnost" as academic and pundit Lorenzo Meyer put it—highlighted the paradoxical nature of the country's course: while the economic situation through mid-1991 seemed favorable for a political opening, the government itself appeared to doubt its own successes. It continued to tamper with elections, acted erratically each time popular protest or public criticism surfaced, and if anything, seemed far more apprehensive about its true popularity and strength than its admirers abroad and its own spokesmen at home suggested. Either Salinas and his closest advisers were needlessly nervous, or something else was wrong.

THE SHAKY REFORM OF THE ECONOMY

The latter was, of course, the case. The country's economic evolution, while certainly better than during the previous decade, was far more brittle and troubled than the foreign media, the local business sector, and the government itself acknowledged. There were three areas of serious concern, all disguised by doctored statistics and explained away by the authorities through ad hoc theories and high-browed dismissals. They were: the current account deficit, the stagnation in overall employment (in manufacturing jobs in particular), and the composition of foreign financing. The difficulties on all three fronts, coupled with the lingering recession in the United States, combined to throw the country into a moderate economic downturn by late 1992, but their effects had already been felt earlier.

The most obvious problem facing the Mexican economy was the size of the current account deficit, fueled largely by a burgeoning trade gap. The current account imbalance jumped from $4 billion in 1989 to $7 billion in 1990, $13 billion in 1991, and approximately $20 billion in 1992, according to preliminary figures. Almost the entire increase was due to a skyrocketing trade gap, generated by imports growing at several times the rate of exports. By 1992, exports were virtually stagnant during the first three quarters, while imports had continued to grow at 28 percent yearly. Though manufacturing sales abroad were performing somewhat better, even they grew only by 7 percent during the first eight months of 1992.[2]

Two factors made this particularly worrisome. First, in relation to GDP, the gap was simply too wide. Mexico's targets, as agreed to with the IMF in the 1989–1990 debt renegotiations, had consisted in a current account deficit over GDP ratio of 2 percent to 2.5 percent. This was the type of proportion that the Mexican government referred to when it declared that developing nations needed a current account deficit in order to import capital. This was also the average range of Mexico's current account/GDP ratio between 1956 and 1972. It tracked the magnitude of other countries' deficits at similar stages in their economic growth: Spain, Korea, Brazil. But by 1991 Mexico's current account deficit reached 4.7 percent of GDP, and in 1992, in current dollars, it amounted to over 6 percent. Moreover, the comparisons with other countries were skewed by Mexico's oil exporting characteristics: the non-oil current account balance was far greater, reaching nearly 10 percent of GDP in 1992.

Second, this oversized deficit was occurring at a relatively low level of growth. In 1990, Mexico's output had increased by a respectable 4.5 percent, and seemed on the way to sustained levels of growth. But it dipped to 3.5 percent in 1991, and to around to 2.5 percent in 1992, with the government forecasting a similar rate for 1993. This demonstrated conclusively that the foreign constraint on Mexico's development—the root of its problems back in the 1970s—remained untackled. It was anybody's guess what the trade gap would swell to if the economy were growing at the 5 percent to 6 percent originally scheduled for 1993–

[2]All trade statistics are taken from the newest, and probably most reliable private consulting firm in Mexico, Jesus Reyes Heroles' Grupo de Economistas y Asociados (GEA), whose monthly newsletter, *GEA Económico*, is perhaps the most current and trustworthy source of statistical information.

1994. The authorities preferred not to find out, and plunged the country into a self-induced recession, largely as a result of the inability to finance a larger trade shortfall.

The government argued several points. First, it insisted that the only excessive current account gap, following former British Chancellor of the Exchequer Nigel Lawson's felicitous phrase, was one that could not be financed. It held that the current account imbalance was the product of the huge inflows of capital, and the entire mechanism was self-correcting: if capital sources began to dry up, so would imports and the trade gap. The problem with this line of reasoning was that if true, capital flowing in should have gone right back out to purchase equipment, raw materials, and so on; instead reserves had been building up considerably since early 1991. This was just fine for the country, but it proved that the money pouring in was not all fueling the import frenzy, and that not all the purchases abroad were because of capital reflows. Several new administrative restrictions on imports, ranging from go-slows and reduced duty-free franchises at the border to the imposition of a "*Norma official mexicana*" labeling procedure in Spanish, were established in September 1992. They betrayed the obvious: the self-regulating solution to the external imbalance was nothing more than wishful thinking that the government itself no longer subscribed to.

The authorities also said that the composition of imports was essential, and that most of them were capital and intermediate goods. Consumer goods represented barely 15 percent of the total, while capital goods averaged between 20 percent and 25 percent of all imports, intermediate goods making up the rest. Thus, the large jump in purchases abroad was the typical by-product of development: a rapidly modernizing nation buying up machinery, technology, raw materials, and imports for re-export, just the way it should be.

While this argument was somewhat stronger than the previous one, it also was skewed by tinkered-with statistics. In fact, the breakdown of imports into the three categories was not quite as neat as the authorities insisted. The categories of intermediate and capital goods contained many items that were in fact disguised consumer products. The true share of consumer goods versus capital goods and raw materials was undoubtedly less tilted toward the "right" imports than official data contended.

Finally, officials argued that the diversification of exports was proof of the promising performance of the outward-looking sector of the economy. In 1982 oil constituted 80 percent of Mexico's exports; by 1991 the share had fallen to 30 percent. The difference was made up largely by sales of manufactures abroad. While the most accurate of all of the government's arguments, it also had to be nuanced. If oil prices in 1991 had been equal, in real terms, to those of 1982 (that is, approximately $40 a barrel in 1992 dollars), Mexico's oil exports would have amounted to $25 billion in 1991, roughly 58 percent of the total—an improvement over 1982, but of a smaller magnitude than at far lower oil prices. The diversification effort is one of the last decade's success stories, but its dimensions remain modest when the drop in oil prices is factored out.

The second area of concern involved the financing of this rapidly expanding deficit. As stated earlier, after a slow start and the need to seek ever more spectacular and wrenching incentives, Salinas had been extraordinarily successful in attracting funds from abroad. Between the last quarter of 1990 and the middle of 1992, more than $30 billion gushed into Mexico, making it possible to finance the gap and build up reserves to unprecedented levels. Unfortunately though, even this achievement was partially flawed.

The new money could be divided up several ways. The first distinction was between investment and lending, although even this line was blurred by the purchase of fixed-rate government securities by foreigners. Counted as investment in Mexico, such instruments are generally tabulated as foreign liabilities in other countries. They had reached over $7 billion by mid-1992. New lending to both the public and private sectors amounted to $12.2 billion in 1990, and $9.3 billion in 1991, with a large chunk contracted by the private sector. But the bulk of the new money entering the country was labeled foreign investment, of which by late 1992 roughly 70 percent was portfolio-oriented, with only 30 percent representing direct foreign investment in factories, agriculture, and tourism and other services.

Moreover, much of the portfolio funds—it was impossible to pinpoint the exact proportion—was in fact Mexican capital returning from abroad. This was a positive development, but not one to be confused with fresh, long-term investment decisions by foreign business. In fact, a great deal of the flight capital returning to Mexico was channeled into the two important areas of privatizations: the banks and the phone company. The approximately $15 billion of Mexican capital included in overall portfolio investment during this period paralleled the final sale value of the larger banks and phone company. This meant, of course, that once the extraordinary circumstances that had led to the return of this money passed—as they had by late 1992—and once the spectacular yields on the Mexican Stock Exchange (60 percent in dollars in 1991) had reverted to historical patterns and alignment with nominal interest rates in dollars, it was highly doubtful that flows of that nature could be sustained. Indeed, the recession brought about in mid-1992 by the money necessary to finance a trade gap caused by higher growth rates was simply no longer available.

Thus while Mexico was receiving truckloads of funds of a speculative short-term nature, its long-term financial position was not truly improving. Foreign direct investment was expanding somewhat, but neither in the amounts nor at the pace necessary to maintain growth. Only new lending from abroad was functioning adequately, but this was as problematic a trend as it was satisfactory. The authorities insisted that the debt was no longer a problem, since in relation to GDP it had shrunk from 57.9 percent in 1986 to 28.3 percent in 1991. But this was deceiving. If total liabilities were calculated in relation to GDP *in constant 1985 dollars,* the ratio fell nonetheless, but much less than with GDP in current dollars. It is important to stress that Mexico's current GDP had ballooned in recent years as small real growth, relatively high inflation, and currency stability led to an increment in the nominal size of total output of roughly 20 percent annually in 1990 and 1991, and another 15 percent in 1992. By mid-1992 the country's total foreign debt was estimated by the Institute of International Finance in Washington and commercial banks to have reached $120 billion and represented the same share of GDP (about 47 percent) in constant 1985 dollars as in December 1981—less than a year before the onslaught of the debt crisis. The fact that the private sector was doing much of the borrowing was nothing to rejoice over since the government had the legal and economic obligation to provide the dollars for servicing that new debt.

The third and most intractable part of this package of problems lay elsewhere, however. If all these complications had emerged in a context of high growth, significant job creation, and rising real incomes, matters would have nevertheless remained delicate, but manageable. The overriding difficulty was that Mexico was experiencing the pains and tensions of an overheated economy (by late 1992 the government had not yet been able to bring inflation down to a single digit), but at very low growth rates—an average of 3 percent for the three-year period between 1991 and 1993, half the historical average and less than 1 percent above population growth.

The Salinas administration was thus encountering the same conundrum López Portillo and Echeverría faced in 1982 and 1976, respectively: the foreign exchange constraint on the economy's expansion made sustained, significant expansion impossible. While the present economic team was apparently behaving more prudently than the previous ones by cutting spending and growth rather than pursuing an expansionist policy that would ultimately lead to a foreign exchange crisis, this was no solution to the country's perennial predicament.

The answer was, to put it mildly and in American terms, jobs. A shrinking state and dwindling public expenditures meant that whatever redistribution of income was to occur in the 1990s would have to be derived from employment. The urgency was real: during the 1980s, the income received by the lowest 40 percent of households had fallen from 14.3 percent in 1984 to 12.9 percent in 1989, and the share retained by the highest 10 percent of households rose from 32.8 percent to 37.9 percent. In 1990, more than 60 percent of all Mexicans received up to or below two minimum wages—somewhat more than $200 per month. Seventy-five percent received less than $300 monthly. Job creation was the only path to greater justice and a higher standard of living.

Unfortunately, at the economy's current rates of growth, little could be expected. Two statistics reflected this dilemma. As Banco Nacional de México data show, the manufacturing employment index (with 1980=100) barely budged during the first four Salinas years. It started off in October 1988 at 86.7, subsequently edging up to 87.7 in December 1989. It reached its high point in August 1990 at 89.1, then fell back to 87.1 by July of 1991, plunging further to 83.4 in January of 1992. By March 1992 it remained stuck at 85.6. Given that maquiladora employment continued to rise during this period (to almost 500,000 by late 1992), the rest of Mexican manufacturing was obviously laying off workers in huge numbers, and creating very few new jobs.

The second statistic confirms this: according to a study published on November 30, 1992, by *El Financiero,* between 1988 and 1992 only 583,000 jobs were actually created, nothing near the 1 million per year necessary to keep up with population growth.

The visible effect of all of this was reflected in two impressions: the United States Immigration and Naturalization Service's claim that apprehensions of illegal immigrants at the United States-Mexican border had reverted to pre-1986 levels, and the conviction of any inhabitant of Mexico City who ventured to walk through the city that the sidewalks and streets were being taken over by the informal economy, and the capital of the country was beginning to look like Lima. Under these circumstances, where the scant economic growth was trickling up instead of down, political reform and hoping to control the forces it would set in motion seemed foolhardy at best.

AND THE POLITICAL IMPACT?

All of which brings things back to the political arena. Carlos Salinas thought he had solved the riddle that confounded him in 1988: how a PRI candidate could win a clean election. The answer was: by being victorious in a not-too-dirty one. Economic prosperity, a restricted political opening, and bountiful support from Washington made up the magic potion that would allow the country and its rulers to avoid another trauma. But under the economic conditions that have been outlined, the president was perhaps quite right in

fearing political liberalization since his party, and the system, would probably not resist. The feeble state of the opposition was scant comfort: it remained surprisingly and stubbornly active, and the threat of a new and once again popular Cárdenas candidacy in 1994 could not be dismissed lightly. The left-of-center leader had been subject to relentless government pressure, as well as to the effects of his party's own inconsistencies and the mistakes its leadership, including Cárdenas himself, committed under highly adverse circumstances. But the 1988 candidate's popularity among the poor endured, and his standing in the country at large, while well beneath its previous levels, was real: he had survived five years of unending official hostility, without giving up or selling out. In Mexico, that in itself was major achievement.

The country is headed for a presidential succession in 1994 under a weighty burden on the political side, and without sufficient leeway on the economic front. While an economic debacle is not totally impossible, it is highly unlikely; so is a real boom. Salinas's original solution to this apparently insolvable dilemma had lain in a quick conclusion and ratification of the free trade agreement with the United States and Canada, and the renewed funding and expectations that it would presumably liberate. He also counted on low levels of awareness in the United States regarding the country's democratization as Bush pursued his "China policy" toward Mexico by constantly expressing disinterest regarding electoral fraud and human rights violations in a nation notorious for both. Salinas may have made a mistake in backing the White House incumbent as ostensibly as he did; the fact was, though, that he had everything to gain from Bush's re-election, and much to lose from anyone else's victory.

George Bush's defeat produced new turbulences. No matter how friendly the Clinton administration might eventually become with Mexico and its officials, the honeymoon, or "spirit of Houston" (named after the city where Salinas and Bush held their first meeting as presidents-elect) was over. NAFTA might well pass, but it will take more time, and require additional negotiations (between Mexico and the United States, or between the United States executive and the Congress) than had Bush won in November. The newly arrived Democrats in Washington will probably not dispatch squadrons of observers led by Jimmy Carter to monitor elections and censure human rights violations in Mexico, but they will not maintain the Republicans' systematic indifference to such matters. And, as emphasis in the United States shifts from international affairs and free trade to domestic matters, the possibility—however illusory it may have been in the first place—of billions of dollars and millions of jobs moving to Mexico becomes increasingly remote.

In the last analysis, it was the convergence of three factors that presages what pollster Miguel Basañez has called an inauspicious "*fin de régime.*" Without an economic downturn, the political problems of an illegitimate system based on run-off elections in the streets and the international complications arising from having bet on the wrong horse in the United States would have been manageable. Conversely, in a more stable political environment, the contraction in the economy and starting over in Washington were not insurmountable obstacles to an uneventful succession. Finally, economic reversals and political turmoil, however dangerous, would have remained within the bounds of the predictable end-of-term agitation Mexico always experiences, as long as the safety net in Washington stayed strong and suitably placed.

As it stands, Salinas has few cards left to play. The president began his term trying, as most Mexican rulers have, to provide an economic answer to a political problem. He will end his term with perhaps no choice but to find a political solution to an economic quagmire. Muddling through and hoping for the best is the most likely option, but not quite the most distinguished. Yet a more daring course, while possible, implies relinquishing the most Mexican of all presidential prerogatives: that of hand-picking a successor by appointing the PRI candidate and insuring his victory at the polls, whatever the actual results. Short of a spectacular economic recovery, or massive funding from the United States, the only way out of the present stalemate is through political reform, which today means a clean presidential election in 1994.

The key to that lies not in new laws, broader agreements, or more or less honorable deals with all or part of the opposition. It originates in one simple but crucial decision by Carlos Salinas: to truly become indifferent to the outcome of the 1994 election and act in consequence. This would imply his guaranteeing equal resources for every candidate, equal access to the media for all, untampered-with electoral rolls, a free and fair election under UN and OAS monitoring, and a truly independent electoral board to determine the winner. By surrendering his nearly God-given right to name his successor, Salinas could find a way out of the coming crisis. It's his call. ■

"The free trade agreement is a form of American and Canadian reciprocity. . .in exchange for what Mexico has already done," argues Sidney Weintraub. "And NAFTA should not be viewed as the end of [the] process, but rather as another step in the transformation of Mexico's economy."

The Economy on the Eve of Free Trade

BY SIDNEY WEINTRAUB

The Mexican economy's transformation from a closed, state-dominated system to one that gives the private sector a preeminent role is now in a new and risky phase. The immediate aim is correction— to bring inflation down to a single-digit and reduce the growing deficit in the current account of the balance of payments. The deeper objective is to set the stage for sustainable, noninflationary growth in the years after 1993. The stakes are high. Success could help transform Mexico from an inflation-prone developing country into the Latin American equivalent of an East Asian "tiger." Failure would compromise the entire restructuring, which was achieved with great effort and considerable pain over the past decade.

The economy's collapse in 1982 brought an end to more than half a century of development from within— of relying on production for the domestic market and giving scant attention to building industries that could compete internationally. The exhaustion of the old economic structure was made manifest by Mexico's inability to meet the obligations on its foreign debt: the country became the first to require major debt rescheduling in the 1980s, although it was hardly alone among developing nations.

The restructuring since 1982 has had its ups and downs, but the goal has been consistent. Internally, the program has involved reducing the public sector deficit and pursuing a circumspect monetary policy in order to lower the inflation rate. Real wages fell drastically as part of the effort to hold down inflation but also to minimize unemployment. Many state-owned enterprises were sold to private buyers, including the telephone company and the banks nationalized at the height of the economic crisis in 1982. There was a frenzy of deregulation, which extended to the domestic trucking industry. The process of revamping the agricultural structure began; its restructuring will alter one of the monuments to the revolution inspiring the most emotion among Mexicans: the *ejido* system of communal land tenure.

Externally, Mexico sharply reduced its protection against imports, eased regulations for foreign direct investment, and—most dramatic—began discussions on free trade with the United States. This opening, or *apertura,* as it is called in Mexico, was shock treatment with a vengeance. And it all happened so fast.

The economic measures of the 1980s led to renewed positive growth by 1987 that was quite modest at first but then gathered steam in the years that followed. The combination of economic growth and market opening led to growing deficits in the current account of the balance of payments, which were financed by large capital inflows. The restructuring has two potential Achilles' heels—continuing, even if declining, inflation, and the risky reliance on volatile portfolio capital flowing in from abroad—and it is these that the current phase of economic policy is designed to deal with.

AGREEING ON CHANGE

The economic priorities for 1993 were made public in two major documents. The first was the so-called pact for stability, competitiveness, and employment (PECE being the Spanish acronym) announced at the end of October 1992; the second, confirming the key elements of the PECE, was President Carlos Salinas de Gortari's fourth annual *Informe,* or state of the union speech, on November 1. The PECE is actually a series of pacts that are a form of incomes policy based on what are said to be agreements among government, business, and labor leaders, and are intended primarily to reduce inflation. The first pact was introduced in December 1987, when consumer prices were climbing at an annual rate of 160 percent; the most recent, the seventh in the series, will run until the end of this year. Comprehensive and meant to be internally consistent, the pacts cover fiscal and monetary policy, the ex-

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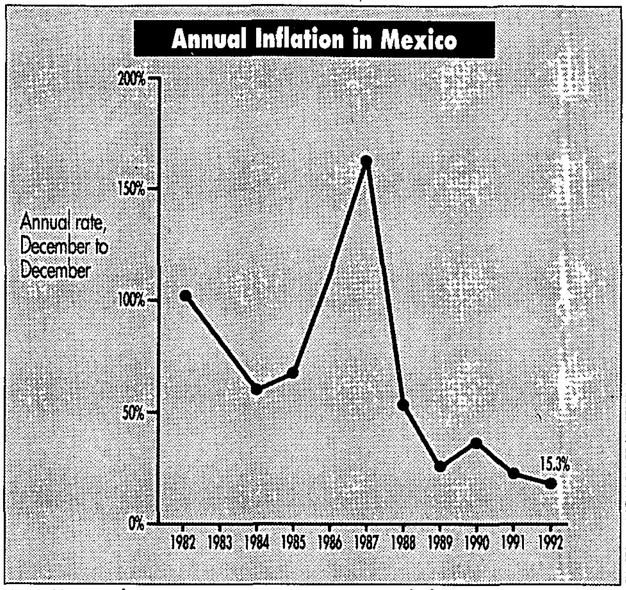


CHARTS: ANDREW LOVATT / PINETREE GRAPHICS

Note: 1992 rate is for August 1991 to August 1992. *Source:* Bank of Mexico

change rate, allowable price increases, import barriers, and wages.

The achievements of the pacts have been impressive. The main goal of reducing inflation was accomplished, as the graph on this page shows, and the rate for 1992 should be close to 12 percent. This required some heroic actions. The public sector deficit was reduced from 16 percent of gross domestic product (GDP) in 1987 to an estimated 1.5 percent in 1991; there is a projected surplus for 1992.[1] For many years this deficit was financed largely by manipulating the reserve requirements of commercial banks, which in effect forced the banks to use customer deposits as loans to the state; it also required control of interest rates and almost eliminated monetary policy as a tool of macroeconomic management. This system has been dismantled. Interest rates are now free, or largely free, to find their market-determined level.

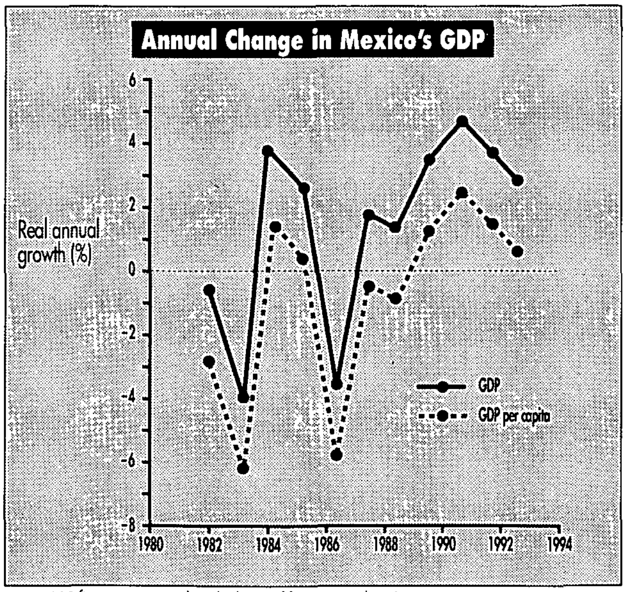
THE DOWNSIDE TO TAMING INFLATION

The anti-inflation drive had its costs. The drastic decline in public sector spending meant that considerable public investment had to be forgone. Public capital expenditures declined from 12.9 percent of GDP in 1981 to 5.5 percent in 1987 and an estimated 4.5 percent in 1991. Among the consequences were a deteriorating national infrastructure and lagging oil and gas exploration. Wages and living standards also suffered.

Real wages (wages adjusted for inflation) dropped between 40 percent and 50 percent between 1983 and 1988—indeed, the decline in Mexico between 1982 and 1988 was greater than in the United States during the Great Depression, if we can trust the data from those years.[2] Real wages picked up after the start of the pacts in 1987, although workers are still far from having recovered the losses they sustained during the 1980s.[3] However, the trajectory of real wages during the past four years has been upward. This must be an essential element of any economic policy in Mexico—an increase over time in the levels of employment and income.

The policy of recent years has been successful in raising incomes both on an overall and a per capita basis. As the second graph on this page shows, after a decline in GDP of 3.8 percent in 1986 (about 6 percent on a per capita basis), the measure rose each subsequent year. Per capita GDP, however, is a simple average that reveals something about the direction of an economy but not much about how gains and losses are divided up in a society. The distribution of income in Mexico has long been highly unequal. Since World War II, the poorest 40 percent of the population has consistently received about 11 percent to 12 percent of total income, while the wealthiest 10 percent took in at least three times that share. Those dependent on income from wages endured additional financial pain during the difficult days of the 1980s, as the did the rural poor because of declining output and prices for key agricultural commodities.

Economic reforms have been accompanied by a social program given the name Solidarity, under which the government has dedicated considerable sums to community improvements in areas such as water, light, schools, health services, and roads. Last year a Secretariat of Social Development (SEDESOL) was created to highlight this effort. And President Salinas spends part of each week traveling around the country, mainly to

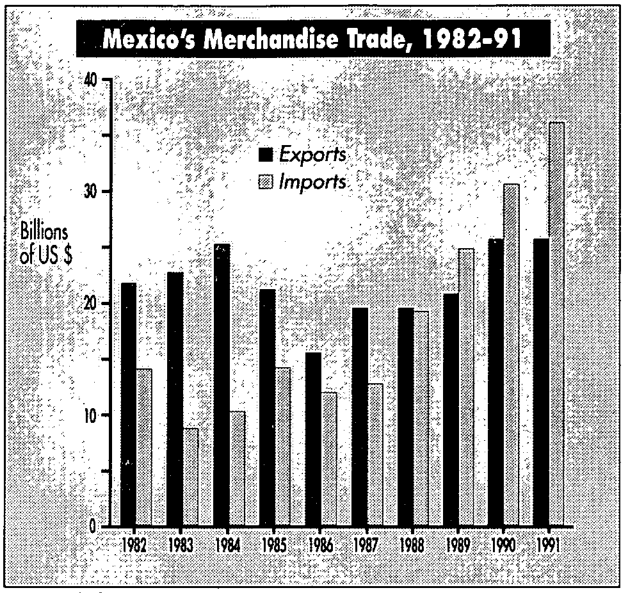


Note: 1992 figure is estimated on the basis of first six months. *Source:* Mexican Finance Ministry

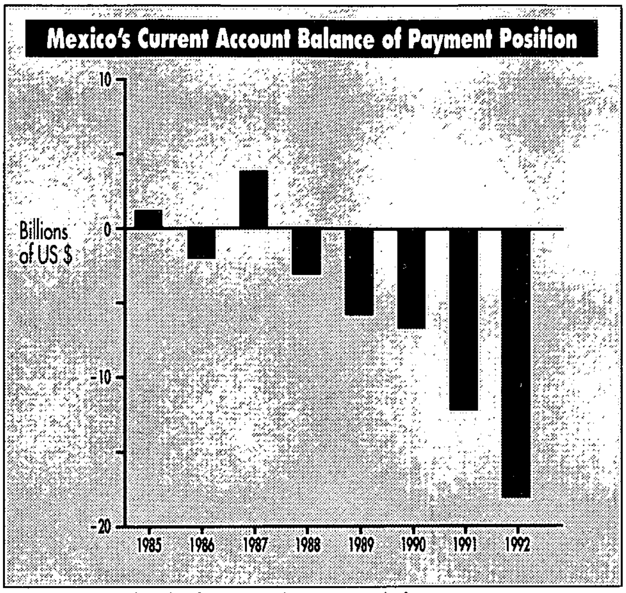
[1]Unless otherwise indicated, the data cited in this article come from official Mexican sources.

[2]Nora Lustig, *Mexico: The Remaking of an Economy* (Washington, D.C.: Brookings Institution, 1992), p. 67.

[3]Wage increases were 4.5 percent in 1989, 1 percent in 1990, 6.7 percent in 1991, and 6.8 percent in 1992.



Source: Bank of Mexico



Note: 1992 estimate based on first nine months. *Source:* Bank of Mexico

small communities, to stress the Solidarity program. His major speeches, the 1991 and 1992 *Informes* among them, have emphasized the theme of social justice.

Solidarity, in other words, is a political as well as a social development program. What is new about it is not the rhetoric—Mexican politicians, like those in other countries, have regularly paid lip service to social priorities even as they ignored them in practice—but rather that resources for social uses have been rising even as the public sector budget has shrunk. When the economic pacts began, social expenditures stood at 32 percent of budget outlays; according to Salinas, the figure is now about 50 percent.

IMPORTING AND EXPORTING

The major reason for opening Mexico's economy to imports was to remove the handicap on Mexican producers, who needed foreign goods at reasonable prices to compete at home and in export markets. While consumer imports have increased since the economic opening (as is evident to any casual observer who enters a Mexican supermarket or department store), capital and intermediate goods represent 85 percent of the value of imports. As with its inflation and growth objectives, the economic program undoubtedly fulfilled its goal of giving producers flexibility in procuring the goods they required.

Oil accounted for 78 percent of Mexico's exports in 1982, the year the roof fell in on the economy. As recently as 1987, before the pacts were used to establish the direction of economic policy, oil exports constituted 42 percent of the total. In 1991, oil exports were down to 30 percent of the total and they declined further in 1992, although revenue from petroleum exports did not fall during most of this period. Exports of manufactures, however, exploded. The desire for export-led growth combined with product diversification has been realized. Diversification of export markets, on the other hand, has not been achieved. Between 60 percent and 70 percent of Mexico's exports still go to the United States, and the share is even larger for manufactures—upward of 80 percent.

But the opening of the Mexican market, coupled with the economic recovery in the country, served to suck imports into Mexico, as seen in the graph on merchandise trade at the top of this page. The growing trade deficit has also translated into a burgeoning deficit in the current account as the economy strengthened (see the accompanying figure); the deficit for 1992, it is estimated, will reach $18 billion.

A current account deficit is not necessarily a bad thing. Indeed, the normal expectation is that a developing country will have a current account deficit financed by capital inflows, since this permits the use of foreign savings for development. Mexico's current account deficit is more than compensated for by capital inflows, as evidenced by the increase in recent years of foreign reserves, which now total more than $18 billion. When Mexico was forced to restructure its foreign debt in 1982, the usable foreign reserves were at best in the tens of millions of dollars.

However, when the capital inflows required become too great, a country is vulnerable to shocks—a political disturbance, say, or, more specifically, a change in expectations if the United States Congress rejects the North American Free Trade Agreement (NAFTA)—that can reverse the direction in which capital flows. It is evident that these concerns exist both inside Mexico and in financial circles outside the country. Salinas found in necessary to address the current account deficit in the 1992 *Informe*. In his address he turned the situation on its head, insisting that the deficit was the result of the capital inflows, leaving aside the fact that the inflows were necessary to finance the deficit.

The plans for the next phase of the economic program grow out of the success of the major measures

of the past four or five years. Economic growth has resumed after a lost half-decade in the 1980s. Inflation, which was getting out of control, has been brought down to manageable levels. The large public sector deficit that was fueling inflation is now in surplus, and the private sector no longer has to compete with the public sector for lending. Real wages began to rise after a precipitous free fall. The Mexican export structure has been diversified. Mexican producers are no longer limited to buying expensive and generally inferior domestic intermediate products but now have the luxury of choice between these and imported goods. The capital flight of the early 1980s has been transformed into a flood of capital inflows, including the return of some of the capital that earlier fled the country. Mexico's foreign reserves, the nest egg for a rainy day, have grown to an amount that can cover half a year of imports.

This is a story of significant accomplishment; the managers of Mexican economic policy have earned their spurs. Nevertheless, debate on the correctness of the next phase of economic policy is ubiquitous in Mexico.

THE NEXT PHASE

The pact announced in October 1992 contained these main elements:

- The peso will be devalued by 40 centavos a day with respect to the dollar rather than by the previous 20 centavos daily.
- Budget discipline will be maintained consistent with the goal of reducing inflation to a single-digit in 1993.
- Minimum wages will be increased by 7 percent in January 1993.
- Energy prices will be increased gradually over 12 months by 10 percent.
- The private sector will be expected to absorb the wage and energy prices increases.

While not specifically announced, economic growth was deliberately slowed during the second half of 1992. Growth in GDP for the year as a whole is expected to be approximately 2.5 percent, compared with 3.6 percent in 1991. The economic slowdown is not drastic—it still permits modest growth in per capita GDP—but is seen as a precautionary move. Slower economic growth should lower inflationary expectations and also dampen the demand for imports, and this in turn should lead to a reduction in the current account deficit. In more political terms, if some slowing of growth can provide economic correction into 1993, this still leaves ample time for recovery before the presidential elections in late 1994.

Too much stress, however, should not be placed on the electoral timing; what is being evidenced is consistency of policy. The Salinas administration is saying that, with the pact plus the lower rate of GDP growth, combating inflation remains the primary objective. The hike in minimum wages in January 1993 is less than the rate of increase in consumer prices, which means that real wages for those at that level will decline, unless there is another adjustment later in the year. This affects about half of Mexico's wage earners. It is not a popular outcome.

The exchange rate change is equally important. Because so much of Mexico's trade is with the United States, the peso-dollar relationship is crucial to the country. Letting the peso slip by 40 centavos a day comes to a devaluation of 4.6 percent a year with respect to the dollar.[4] However, because the difference in inflation between the two countries is now closer to 8 percentage points, in real terms the already overvalued peso will continue to appreciate with respect to the dollar. This will have an adverse impact on the trade account. An overvalued peso, all other things being equal, makes it attractive to buy imported rather than domestic goods, and gives Mexican producers an incentive to sell at home rather than export. These pulls and pushes—pulling in imports, pushing sales at home—run counter to those inherent in the overall economic slowdown, which makes for lower sales in the domestic market. The two stimuli may cancel each other out, but this is far from certain.

The main reason for not devaluing the peso by the full extent of the inflation differential with the United States is to contain inflationary pressure at home. Salinas and his advisers do not want to restimulate the inflationary expectations that clearly exist in Mexico—not after the years of costly sacrifices designed precisely to alter such expectations. A much sharper devaluation would not only raise the prices of imported goods, but prices of comparable domestic goods would surely rise as well. The Mexican authorities are taking a calculated risk that the combination of measures now at play will not lead to further growth in the current account deficit while inflation is brought down to a level close to that in the United States. The worsening competitive position implicit in an appreciating peso can then be corrected by increased productivity at home.

This presumably is the current game plan. The program can be calculated in econometric models—as it no doubt has been, given the discipline of the people who guide Mexico's economy—but it is based as well

[4]The 40 centavo figure relates to pesos at the time the pact was announced. As of January 1, 1993, three zeros are to be lopped off currency denominations. When the new peso is introduced, there will be 3.1 to 3.2 pesos to the dollar, and there will be new centavos as well as new pesos.

on a reading of the Mexican psyche, which would interpret a large devaluation as sacrificing the anti-inflationary goal.

A necessary ingredient of the current policy is high interest rates. The direct investment entering Mexico is not necessarily interest sensitive, but the bulk of capital inflows are of a portfolio nature. The capital will not flow unless the return in Mexico is attractive enough to compensate for the greater risk than for investment in a place like the United States. Thus real interest rates are much higher than in the United States or other industrial countries.

The main good that has been opted for is lower inflation as opposed to higher current economic growth, in anticipation of higher, but sustainable, noninflationary growth in the future. The choice has entailed continued appreciation of the peso and, consequently, high real interest rates to attract foreign capital and prevent capital flight. The economic managers have been so adept in recent years—both in the policy measures they have implemented and in interpreting the mentality of their fellow Mexicans—that they have earned the right to say to their countrymen, "Trust us."

NAFTA: RECIPROCATING THE FAVORS

The initiative for free trade with the United States would not have been possible had the restructuring of the Mexican economy not taken place in the 1980s. Before seeking free trade, Mexico joined the General Agreement on Tariffs and Trade, removed most requirements for the licensing of imports, reduced tariffs (which, once licensing requirements were eliminated, became the true test of import protection) to a range of 0 to 20 percent with a weighted average of 10 percent, and altered regulations in order to ease restrictions on foreign direct investment. And by 1990, when negotiations began on a free trade pact, Mexico was well into the inflation reduction.

These steps were taken unilaterally. There was much internal discussion during the process as to whether Mexico should slow down the changes because it was giving up bargaining chips that could be used in later negotiations. But opening and restructuring the economy were seen as being in Mexico's interest even without reciprocity. The free trade agreement is a form of American and Canadian reciprocity, of zero duties and elimination by them of most other impediments to trade, in exchange for what Mexico has already done.

Seeking free trade with the United States was a logical, even if not inevitable, step in the process for Mexico. It is commonplace to hear that the two economies are already linked and that free trade is a mere formality to validate existing realities. The linkage is clearly there, but more so on Mexico's side than that of the United States. Most of Mexico's exports of goods and services go to the United States, whereas as recently as 1991 only about 8 percent of American exports go to Mexico. More than half of Mexico's manufactured exports leave the country in transactions between affiliates of the same firm. And two-thirds of foreign direct investment in Mexico is by United States–based multinationals—another manifestation of the strength of Mexico's ties to its northern neighbor. As with trade, American private investment is worldwide; Mexico is an important destination, but one among many.

Validation of what already exists need not be a trivial act. Like marriage, the formal, legal structure gives some assurance—even if not a guaranty—of continuity. It provides the kind of stability investors seek, because rights and obligations are part of a solemn treaty or executive agreement; when commercial disputes arise, the legal document has established a procedure for their resolution. The structure surrounding NAFTA calls for continual consultation on a variety of issues of mutual concern to the three countries, including sanitary regulations, agricultural subsidies, the temporary entry of businesspeople, the operation of rules of origin, and the setting of product standards.

It was precisely this formality that Mexico wanted. Mexico entered into free trade negotiations for much the same reasons as Canada: a combination of economic defense and trade and investment promotion considerations. Mexico wanted the assurance that its exports would receive favorable treatment in what it feared was an increasingly protectionist United States. Mexico's entire restructuring was predicated on shifting the center of gravity of its exports from oil and other raw materials to manufactured goods. This development strategy could not succeed unless the United States market remained open.

As is evident from the extent of intra-firm trade, increasing the export of Mexican manufactures requires a steady flow of American direct investment. Setting down the rules of the game provides a promise of consistent treatment that should encourage this investment; indeed, it is encouraged already in anticipation of free trade. Also, the Mexican market is small, about one–twenty-fifth the size of that of the United States. For production in which economies of scale are important, investment is much more likely if Mexico can offer the promise of a North American and not just a national market.

Movement from the closed, inward-looking Mexican economy of a decade ago to the completion of the NAFTA agreement was a process and not a single action, but the speed at which it proceeded was breathtaking. It took the United States several decades after the infamous Smoot-Hawley tariff of 1930 to open its market as thoroughly as Mexico did in one decade. And NAFTA should not be viewed as the end of that process, but rather as another step in the transformation of Mexico's economy.

If NAFTA is approved by the legislatures of all three

countries, and then works as the majority of economic analyses project that it will, it should provide welfare benefits to all three, particularly to Mexico. If it does not, then it will not endure. Latin America is replete with efforts at economic integration that foundered precisely because the benefits were not distributed.

The success of an integration agreement is not easily measured, but must involve such intermediate goals as an increase in trade and investment, higher paying jobs, and increased intermingling of all facets of the respective economies. Since 1987, there has been some indication of what could happen under a formal agreement. As Mexico's economy grew, United States exports increased at an annual average rate of 15 percent. Private capital flows into Mexico jumped from less than $1 billion in 1987 to more than $14 billion four years later. Communication and transportation links in Mexico and between the two countries are being developed. The increase in American exports to Mexico has surely contributed to the creation of jobs in the United States, just as the increase in Mexican exports to the United States has created jobs south of the border. Positions in the United States tend to be higher paying than those created in Mexico, but the evidence since the pacts began is that real wages in Mexico also have increased.

These developments cannot be attributed to free trade, since there is as yet no formal agreement. Nor can they be attributed in full to the expectation of free trade. They result primarily from measures taken inside Mexico and the interaction between a more open and cooperative Mexico and the United States.

Free trade will not solve Mexico's economic problems; they must be dealt with internally. A country's level of employment is not determined by its trade position but is essentially a function of macroeconomic policy. Competitiveness in international trade is not established primarily by macroeconomic means, but rather at the micro level in such areas as productivity. The ultimate yardsticks for an economy are the outcomes in income and employment and in such social areas as income distribution, education, health care, and safeguarding the environment, which are for the most part the consequence of internal actions. Free trade can supplement internal policies, but it cannot replace correct national measures.

Looked at from the vantage point of the United States, free trade with an increasingly impoverished Mexico is of little interest. During the height of the economic crisis, from 1982 to 1987, Mexican imports plummeted. As the Mexican economy recovered, imports soared. The United States on average provides between 60 percent and 70 percent of these increased imports. The benefits of free trade for the United States are therefore a reflection of the success of Mexican internal policy. And the reverse is also true. Because of Mexico's reliance on the market across the border, the most important thing the United States can do to assist Mexico is to run a healthy economy. If it does not, Mexico's new export-led strategy cannot work.

WHAT MAY BE

To return to free trade success and process, it should be obvious that what exists on January 1, 1994, when NAFTA is scheduled to go into effect, will alter as the economies of the member countries and their interactions develop. NAFTA will either deepen or it will perish. It will disappear if there is no significant and steady increase in trade, or if production is not carried out in all three countries to exploit the large market, or if expectations of stability of treatment do not materialize.

If, however, NAFTA succeeds in these respects, the content of the agreement will become inadequate. As trade among member countries of the European Community increased, many efforts were made to reduce the volatility of exchange rates. This desire will exist in North America as well as trade and investment increase. Traders and investors—and they are increasingly the same firms—prefer relative stability in such a key rate to sudden variations. It is highly unlikely the NAFTA countries will seek monetary union since they do not have the same political goals as the EC countries, but the establishment of a narrow band within which exchange rates may fluctuate is quite likely.

This objective will be impossible to achieve unless the inflation rate in the three countries is more or less similar ("convergence" is the EC code word for this state). Convergence will not be possible in the near future if the current phase of Mexico's economic policy does not succeed. Mexico's anti-inflation campaign thus dovetails with what international traders and investors will want.

As trade and cross-border production increase, product standards in each country will have to be acceptable in the other two. The ideal state, analogous to convergence in inflation, is harmonization. This may never be reached, but it will have to be approached in finite steps. A similar approach to harmonization will be needed in environmental and phytosanitary standards. As trade and cross-border investment grow, preventing actions that are in restraint of trade will take on more urgency. The rules of origin—which determine which products originate in the region and are thus eligible for free trade—are exceedingly complex in NAFTA and will have to be simplified.

Success for NAFTA will come about not just because the agreement is in place but because of good internal management in the three countries involved. This is why the current phase of economic policy in Mexico will be watched closely in the United States. The measures now in place will run right up to the date NAFTA is to take effect. This coincidence is appropriate symbolism for the interplay between internal and external economic policy in North America. ■

Mexico confronts the interrelated and profound economic and environmental possibilities opened up by the North American Free Trade Agreement and increasing global integration. "Just as the United States will benefit from relocating some difficult environmental problems to its south," Steven Sanderson argues, "so Mexico should be able to count on a willing partner to the north."

Mexico's Environmental Future

BY STEVEN E. SANDERSON

After conducting the region's most profound economic reform and abandoning its historical antipathy to its northern neighbor, Mexico has become the darling of the United States these days. It is apparently now ready to face together with the United States what many call "the inevitable future" of North American integration. The government of President Carlos Salinas de Gortari has made headlines by committing itself to free trade, by abandoning land reforms instituted after the revolution, and by subscribing to international environmental agreements that break with the country's sorry record of past abuse. For many, especially conservative internationalists, Mexico has become a model citizen, a regional leader in international affairs.

But behind the headlines, environmental concerns were treated at separate tables from general economic concerns at the North American Free Trade Agreement (NAFTA) negotiations, even though there is no doubt that the economy and the environment are inextricably linked. Although the course of economic growth will determine Mexico's environmental future, virtually no one in a position to make policy is discussing the impact North American free trade will have on Mexico's environment, let alone Mexican economic reforms or land tenure changes. The architects of Mexico's impending wholesale integration into the world economy rarely speak about environmental protection. The ideology of the day has led free traders and fiscal reformers to condemn such concerns as belonging to an unaffordable nationalism of the past, and shrug off possible future costs.

Politicians have repeatedly stated that changes in economic policy actually strengthen environmental protection. From the United States trade representative to World Bank officials, talk of "sustainable," or ecologically sound, development is the order of the day. William Reilly, director of the Environmental Protection Agency under the Bush administration, hailed the agreement on free trade between the United States, Mexico, and Canada as "a watershed in the history of environmental protection, because it integrates economic and environmental concerns to an unprecedented degree."[1] But the evidence strongly suggests that environmental concerns are being ignored.

FREE TRADE, REGARDLESS

One of the most important indicators of Mexico's environmental trajectory is NAFTA, which would establish a trilateral free trade zone. Surprisingly, there is no substantive treatment of the environment in the most recent draft text of the agreement.[2] For example, the chapter on agriculture contains only a blanket expression of concern for "relevant ecological and other environmental conditions." The annex on the automotive industry refers neither to the environment nor to fuel efficiency, despite the alleged importance of environmental standards for automobile emissions and global concern over the release of greenhouse gases, which are believed to raise the temperature of the atmosphere. Perhaps most devastating, the word "environment" does not appear at all in the chapter on energy, nor any language professing concern for or

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[1]Quoted in "NAFTA Due to End Most Barriers to Trade between U.S., Mexico, Canada," *Oil and Gas Journal*, August 24, 1992, p. 30.

[2]The draft referred to is dated September 8, 1992. It is not the only draft, and none of the drafts is official, in the sense of having been agreed on or submitted formally to the United States Congress. The final version is unlikely to differ in substance from this draft.

recommending environmentally friendly energy policies for the free trade area.

Why the omission? First, the United States trade representative and other actors on the American side have always argued that crafting a treaty that addressed the environmental implications of free trade would create a "legislative Christmas tree" weighed down by ornaments inappropriate to the occasion. Such a document would not pass muster on Capitol Hill, or be welcomed in Mexico either.

Second, champions of economic integration—and of development in general—in both the United States and Mexico have neither the time, the intellectual disposition, nor the institutional mandate to deal with the environment. The environment is viewed as a "cost" billed against economic growth, while the opportunity to avoid unwanted future effects on the environment is missed. An otherwise valuable new assessment of NAFTA's impact published by the Brookings Institution barely touches on the environment, except in references to border pollution and in a more general essay by Robert Pastor, a member of President Jimmy Carter's administration.[3] The leading policy volume on NAFTA, published by the Institute for International Economics, says the big environmental issue in NAFTA is who will put up money to spend on the environment—a question the trade negotiators largely shirked, according to the authors.[4]

The third explanation for the omissions from NAFTA is even more troubling: that many policymakers worldwide believe good environmental outcomes naturally flow from sound economic practices. The global community has agreed since the 1987 report of the Brundtland Commission on the need to consider economic growth and development in light of environmental concerns, especially as the integration of the international economic system proceeds.[5] And in the United Nations Conference on Environment and Development (UNCED) documents emerging from the "Earth Summit" in Rio de Janeiro last June, the world signed on to a concept of sustainable development that would link economics and environment from the outset, and that identified free trade and economic policy reforms as the most important vehicles for ensuring sustainable development. (This allows environmentalists advocating sustainable development to paint a positive portrait of the trade-development-environment connection without examining more disturbing possibilities.)

But the dissonant tones of international integration are much more difficult than the fair music of rhetorical agreement. Today nations around the world face an environmental dilemma. The global community has recognized that the environmental condition of one country is a complex product of the environmental policies and economic dynamics of the global system at large. But the selfsame community also treats each nation as a separate, closed environment, in which uses and abuses of natural resources stem from domestic "policy choices." For Mexico, international economic integration means that its environmental future is no longer its exclusive purview—if indeed it ever was. Mexican policymakers must include the United States (and to a much lesser extent, Canada) in their calculations, and it is hard to imagine that the relatively tiny Mexican economy could exert any control over the domestic policy of its giant neighbors. But though outcomes are mainly determined at the trilateral and at the global level, still it is Mexico that is held responsible.

For Mexico, the global economic system is, in large measure, the United States. And the United States, by ignoring environmental problems or separating them from general trade and growth issues, permits itself the luxury of displacing a great deal of its own environmental policy failure to Mexico—perhaps to be later re-exported back over the border in other forms. Arid lands agriculture is moving to Mexico from the western United States as land, water, and labor become harder to find and more expensive, and questions about the use of agricultural chemicals become more pressing. Mexico in turn responds to the exigencies of United States–Mexican relations and internal political pressures and creates economic institutions and processes without regard for their likely environmental impact. For all the protests to the contrary, the environmental agenda is still marginal to the driving forces behind Mexican development and the United States–Mexican relations that frame it.

During the two years of negotiations over NAFTA, Mexico has often pushed its two northern neighbors toward agreement, so that NAFTA is very much a product of Mexican policy rather than a simple imposition of United States hegemony. Even so, given the widespread suspicion raised by the NAFTA talks and the general unhappiness of the developing countries with the Rio summit and the political jockeying surrounding it, some blame the United States for the environmental weakness of NAFTA. Others look to Mexico for new ways of tying economic recovery to environmental protection. It is impossible to leave NAFTA out when considering the Mexican environ-

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[3]Nora Lustig, Barry P. Bosworth, and Robert Z. Lawrence, eds., *North American Free Trade: Assessing the Impact* (Washington, D.C.: Brookings Institution, 1992). See also Nora Lustig, *Mexico: The Remaking of an Economy* (Washington, D.C.: Brookings Institution, 1992).

[4]Gary Clyde Hufbauer and Jeffrey J. Schott, *North American Free Trade: Issues and Recommendations* (Washington, D.C.: Institute for International Economics, 1992), p. 144.

[5] World Commission on Environment and Development, *Our Common Future* (New York: Oxford University Press, 1987). The commission was chaired by Norwegian Prime Minister G. Harlem Bruntland.

ment (even though that is exactly what has been done up to now); for that reason alone, thinking about Mexico's environment requires an international focus. A look at agriculture and energy, only two out of a wide range of possible choices, will show how deeply Mexico's environmental futures are tied to international integration.

FOOD FACTS

Many of the reasons for Mexico's newfound internationalism are structural. Mexico cannot produce enough food for its burgeoning population or import the balance efficiently without recourse to free trade. Although Mexican agricultural production has increased substantially over the past two decades (the oft-repeated claim that Mexico's agriculture is stagnating is wrong), per capita agricultural production has not grown for a decade, hovering around levels that typified the early 1970s. In the past Mexico relied on heavy state intervention and costly public subsidies, as well as a restrictive import policy, to correct the food production problem. But none of these is politically or fiscally possible in the wake of the debt crisis and the subsequent economic reforms.[6] The virtue of free trade and privatization of agriculture is that they allow the public sector to retire from the subsidy business and allow cheap border prices of foodstuffs to lower the cost for consumers of grain products, cooking oil, and other basic consumer items.

The environmental future of trade-based food policy is unclear. Everyone seems to agree that the reorganization of food production on the basis of free trade will inevitably mean marginal agricultural land will no longer be competitive; some, but not all, argue that it will go out of cultivation. In this scenario, the environmental cost of rain-fed agricultural production in Mexico will be displaced to the grain belt in the United States, which is much better suited ecologically to the purpose. Marginal land in Mexico—arid lands and steep hillsides—will return to a more natural state, reducing soil erosion and exhaustion.

Some argue that agricultural adjustment will be devastating for poor farmers. Most estimates suggest that the impact will be broad and deep, and that it will be especially serious for maize and bean producers. Under most models, a substantial portion of the estimated 12 million to 15 million poor farmers in Mexico are expected to move to urban areas. The net environmental impact of such a demographic shift is unknown. It would depend on how, when, and why the farmers moved to the city, and on the ability of the cities to absorb them productively. Certainly, hundreds of thousands of rural poor moving to squalid shantytowns on the fringes of Mexican cities is not a positive social or environmental outcome, even if their land were to lie fallow. Others suggest that the deteriorating living conditions of poor farmers under free trade will lead to more, not less, poverty-induced soil degradation and deforestation. And to the extent—often underestimated—that poor farmers generate employment for poor landless people, who also would be displaced, the risk of the poor "mining" marginal lands and remnants of forest is heightened. In a country that has lost 11 million hectares of forest in the past two decades, this last prospect is a grim one.

The United States is a probable hedge against such possibilities. Some large percentage of the displaced rural poor would likely find their way to the border, reflecting the "pull" of chronic labor shortages in agriculture and services in the United States and the hard "push" of agricultural adjustment. Thus a more relaxed immigration policy on the part of the United States would be a most welcome environmental outcome for Mexico, while a restrictive policy would have the opposite effect. In neither case is Mexico in control of this element of its environmental future.

Mexico appears to recognize the inevitability of its integration into the international agricultural system, dominated by its relationship with the United States. So that it faces that future as much as possible on its own terms, it is taking a leadership role in defining those terms. Mexico's export agriculture has thus been cited as one of the most important winners under free trade. Most analysts predict that a significant portion of fruit and winter vegetable production will shift southward (as has been occurring over the last two decades) from the United States to northern Mexican irrigation districts as California, Texas, and Florida become less hospitable sites. Beyond that shift, free trade will create additional demand in the United States, and Mexico will even replace other regional competitors to some extent (for example, Brazil, for frozen orange juice concentrate).

Despite the positive effect on the volume and balance of Mexico's trade, this has a number of disturbing environmental implications. The debate over water supply and distribution in the western United States may very well be displaced in some measure to Mexico. And as the urbanization of northern Mexico continues, the competition between urban centers and agriculturalists for scarce water is likely to escalate. This is not a new debate in Mexico. Since World War II, the north has fought over groundwater use, and in the process conservation has lost out. The prospect of intensifying agriculture in northern Mexico does not bode well for problems of aquifer depletion and salinization, fertilizer runoff and contamination, and the like.

Moreover, much of the cost advantage of Mexican

[6]For more details, see Steven E. Sanderson, "Mexican Public Sector Food Policy under Agricultural Trade Liberalization," *Policy Studies Journal,* vol. 20, no. 3 (1992), pp. 431–446.

export agriculture revolves around heavily subsidized agricultural inputs, especially water and energy. Agricultural exports are overwhelmingly energy-intensive, because of mechanized cultivation practices and heavy fertilizer use. Yet Mexico intends to reduce many subsidies to agriculture. Will water prices actually seek market levels, or will some subsidization continue? And will Mexican fuel prices rise to reflect market realities? If so, the economic outcome for agricultural exports will be much less rosy; if not, Mexico will continue to subsidize energy and water consumption in the United States through a wasteful resource policy, with potentially disastrous environmental consequences. The essential question, though, is whether concern about the environment will take precedence over what are among the most promising exports in Mexico's agricultural sector. It certainly never has before.

THE OIL QUESTION

Mexico has a long history of oil production. Even before the revolution began in 1910 it was the world's largest oil exporter. After the Organization of Petroleum Exporting Countries (OPEC) enacted large price increases in 1973 and 1974, Mexico discovered huge new reserves and accelerated exploration and production to meet the needs of the 1970s oil boom. (Although Mexico was not a member of OPEC, it benefited from the high prevailing prices.) Now, after a decade of oil bust, the energy sector has reemerged as a determinant of domestic economic performance and environmental health.

Despite a decade of slow growth or no growth, energy consumption in Mexico grew 25 percent from 1980 to 1989, and average demand grew 3.4 percent annually. During that same period, the collapse of the oil boom and subsequent scandals within the state oil monopoly, Petróleos Mexicanos (PEMEX), caused investments in the sector to shrink drastically: from 1983 to 1991 PEMEX capital investments fell over 40 billion real pesos. Since then, Mexico has struggled to keep domestic production high enough to satisfy export and domestic demand.

The industrial growth projected as a result of economic recovery and integration through NAFTA will put tremendous new strains on domestic oil and gas production. If Mexico were to return to consumption rates of the good economic growth years of the 1970s, energy demand would grow at twice the rate it did during the 1980s. Problems with natural gas self-sufficiency cropped up some years ago, and the United States and Canada are both currently exporting natural gas to Mexico.

Demand for natural gas is expected to rise significantly over the next decade, as Mexico tries to change over its electrical energy production to natural gas-fired plants. The country is sure to take better advantage of its domestic gas, but much of its reserves are associated with southern oil fields, too remote for them to be competitive near the northern border. As a result, imports are likely to rise, with some expecting them to reach 1 billion cubic feet per day by the end of the century (current levels are about 350 million cubic feet per day). This would result in the production of cleaner technologies for energy production in Mexico.

The import solution does not follow for oil. As PEMEX is recapitalized and reorganized along more efficient lines, the main problem is to satisfy projected demand. Searching for more oil offshore and extracting more from known onshore reserves are the two main methods being employed. But numerous known environmental risks are associated with increased onshore drilling near the Lacandon Forest, the largest patch of tropical moist forest in Mexico and PEMEX's prime site for new exploration. Similar risks accompany offshore drilling in the Bay of Campeche, with potential consequences for tourism, coastal aquaculture, and offshore fisheries from the states of Tabasco to Texas. Here let us isolate two additional problems accompanying this strategy: the implications of industrial growth for domestic fossil fuel use, and increased energy use for the global environment.

The growth of Mexican society has of course resulted in more fossil fuel use, and the rate has accelerated in recent years. Automobiles alone now account for about 80 percent of the severe air pollution in Mexico City; the number of cars has grown six times faster than the population between 1940 and 1982. The economic reforms since 1985 have already meant new industrialization and exports. With NAFTA, industrialization is projected to increase, and the border industries (maquiladoras)—which have operated under special tax regulations and always been prohibited from selling in Mexico—will likely be folded into the general development plan. Certainly Mexico's hope is that industrial growth will speed up under NAFTA and provide more jobs. (The Mexican economy requires about a million new jobs annually just to cover new entrants into the labor market.)

What is disquieting is the virtual certainty that recent growth rates in fossil fuel consumption and carbon dioxide emissions are bound to increase with free trade and economic reform. Mexico is already the largest commercial consumer of energy in Latin America, far surpassing Brazil, which has nearly twice the population and economic output. Mexico's industrial carbon dioxide emissions exceed Brazil's by more than 50 percent, making Mexico the leading source in Latin America; even so, per capita emissions in Mexico are a small fraction of the United States figures, and would have to roughly triple for Mexico to break into the top 10 countries in the category.

But unless major changes take place in the way Mexico produces goods and services—reforms nowhere apparent in the country's current economic

model—the steady upward trajectory of agricultural mechanization, industrial and commercial fuel-intensity, and carbon dioxide emissions is a part of the national environmental future. Critics in the United States have argued that Mexico should emulate American environmental standards, but as many have pointed out, Mexico's laws are as rigorous as any when it comes to industrial pollution. The real trouble lies in the fact that Mexico stands at the threshold of full integration into the community of developed nations—which has a miserable environmental record of its own, but has somehow been transformed into the standard for Mexico. The most positive possibilities for more open trade and freer competition lie in the more rapid transfer of clean technologies for new industrial production. And some customs receipts might be used for environmental cleanup and the implementation of safer standards.

REASSESSING THE FUTURE

The many economic reforms the Mexican government has undertaken are welcome to the extent that they eliminate gross distortions that allowed and even encouraged past environmental and economic abuses. But Mexico faces enormous environmental challenges for the future. If it displaces poor farmers from marginal lands, it must ensure that they have an alternative that is better socially and less harmful environmentally. It must also see to it that they do not make way for more intensive agriculture, with its energy waste and overuse of chemicals. If Mexico grows industrially, it must either devise new pathways to energy efficiency and lower levels of waste or risk becoming part of a Dickensian landscape of factories serving consumers in cleaner environments elsewhere. And if Mexico is to "mine" itself for oil, natural gas, water, and topsoil and export the products north, it should be confident that in the long run the proceeds will redound to the benefit of Mexicans.

Unfortunately, Mexico does not control the terms of its international integration. And its largest economic partner, the United States, is adopting a disingenuous position; it insists that Mexico emulate American environmental policies and trust that the benefits of free trade will be worth the environmental trouble. Free traders in the United States advocate doubling Mexican oil production in order to lower export prices, a policy that is environmentally unworthy on its face, and would contribute to more hydrocarbon consumption, not less. The United States has categorically refused to treat immigration in the free trade negotiations, and popular sentiment is certainly not pro-immigration. But "surplus population" is one of the consequences of economic efficiency in a country with a rapidly expanding population and a 3 percent growth rate in the labor force each year; it is well-nigh impossible for Mexico's teeming cities and worn-out, rain-fed lands to accept a million new hands a year without further environmental degradation. Just as the United States will benefit from relocating some difficult environmental problems to its south, so Mexico should be able to count on a willing partner to the north.

Whatever the bilateral, trilateral, or global framework, as Mexico looks into its environmental future, it must rely on something beyond the benevolence of the United States and Canada—or the global system, for that matter. To really make environmental progress, Mexico must reassess the use of energy in its economy, the cost of water and inorganic fertilizer in arid lands agriculture, and the virtues of industrializing on an American model. Otherwise, Mexico will not escape from the industrial and agricultural abuses that have beset societies of the developed world. Employing a model from the developed world's past is hardly a forward-looking strategy for a country with Mexico's potential. ■

Human rights abuses continue to be a problem in Mexico. While the government has made some progress in dealing with them—much of it in response to NAFTA—it must instill an institutional abhorrence of rights abuses before torture and extrajudicial killings become a thing of the past.

Human Rights in Mexico: Cause for Continuing Concern

BY ELLEN L. LUTZ

When President Carlos Salinas de Gortari assumed office four years ago, most Mexicans regarded human rights abuses in their country as inevitable. The government encouraged this attitude by ignoring abuses and failing to prosecute those responsible. Today the issue of human rights pervades debate about most of Mexico's social problems and has led to significant government and nongovernment activity.

This shift has not simply been in reaction to a worsening human rights situation. Indeed, while there was a surge in abuses in connection with the balloting for president in 1988 and in subsequent elections, and an increase in violations by Federal Judicial Police (FJP) officers charged with fighting the "war on drugs," other abuses, ranging from police use of torture to extract confessions to interference with journalists and independent trade union activists remained constant. Instead, the shift must be understood in the context of the Salinas administration's economic policies and civil society's response to the administration's simultaneous unwillingness to reform the political process.

UPROAR AND REFORM

Mexico has long been sensitive about its human rights image. Although a strong advocate of noninterference in other countries' domestic affairs, Mexico has actively promoted human rights in international forums. It also has carefully cultivated the image of a rights-respecting nation by offering refuge to those facing political persecution in their homelands. Until recently, through a tightly controlled press and a single-party political system, the Mexican government managed to keep most human rights abuses hidden from view. When embarrassing violations of human rights came to light—as they did as a result of the 1985 earthquake, when bodies showing signs of torture were uncovered on the grounds of the federal district attorney general's office—damage control was quickly undertaken. Thus the government immediately passed legislation and ratified international treaties condemning torture. But the hundreds of reports of police torture received by domestic and international human rights groups in the years since have proven that these initiatives were more public relations ploys than serious efforts to curb abuse.

A new series of embarrassments occurred just before and during the first 18 months of President Salinas's six-year term. The hotly contested presidential election of 1988 and subsequent state and local elections provoked a wave of violence that left dozens dead and others seriously injured or missing. Two close aides to opposition presidential candidate Cuauhtémoc Cárdenas, Ramón Gil Heráldez and Francisco Xavier Ovando (who was himself running for a Senate seat), were murdered as they drove through Mexico City on the eve of the presidential election. Allegations of electoral fraud that Cárdenas and his Democratic Revolutionary party (PRD) leveled against the ruling Institutional Revolutionary party (PRI) precipitated other violence.

On December 16, 1988, José Ramón García Gómez, a Revolutionary Workers party (PRT) activist in Morelos state, disappeared while driving to a political meeting of leftist Cárdenas supporters. Early evidence suggested he had been arrested by state police. The police deliberately mishandled the investigation of his disappearance by publicizing theories that had no basis

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in fact and pressuring a local attorney to give false evidence. A special prosecutor appointed by the president has yet to conclude his investigation, and while it now appears that high-ranking state police officials were involved, no prosecutions have yet occurred.

In the early months of the new administration, Mexico significantly stepped up its efforts to combat narcotics trafficking. This was, in part, in response to pressure from the United States that Mexico felt it must heed if economic objectives were to be realized. But it also was a reflection of Salinas's personal commitment to rid Mexico of the scourge of drugs. Unfortunately, the means chosen to combat the drug trade spawned violence and abuse as bad or worse than those the effort was aimed at stopping. An elite squad made up of officers from the FJP, a police unit that reports to the federal attorney general, was granted virtually unfettered freedom to find and destroy drugs and arrest traffickers. Many of the officers were known to be corrupt; others had previously served in repressive security units. Operating with near-absolute impunity, these agents unleashed a campaign of murder, torture, extortion, and abuse of due process that four years later has still not been brought to an end.

To cite but one outrageous example of the conduct of the Federal Judicial Police anti-narcotics division officers: at 7:00 A.M. on January 14, 1990, about 100 officers surrounded the home of Francisco Quijano near Mexico City, allegedly looking for Quijano's son, also named Francisco, who had been accused of killing two FJP officers the day before. Two other sons, Jaime Mauro and Erick Dante, surrendered and came out of the house with their hands up; they were shot and killed on the spot. A fourth son, Héctor, died in custody a short time later, after he had been brutally tortured.

The May 1990 murder of Norma Corona Sapién was the first of several catalysts that moved the Salinas government to initiate human rights reforms. Corona, a lawyer and university professor, was a co-founder of the Commission in Defense of Human Rights in Sinaloa state. After the unsolved murder in December 1987 of the group's president, newspaper columnist Michel Jacobo, she assumed the presidency. On February 22, 1990, FJP officers arrested Mexican lawyer Jesús A. Guémez Castro and three Venezuelan nationals; the four were tortured, and their bullet-riddled bodies were found in a shallow grave a month later. Corona aggressively investigated the killings, concluding that FJP officers, whom she claimed were acting on behalf of a Sinaloa drug trafficker, were responsible. After publicly pushing for their prosecution she received several death threats. On May 21, 1990, Corona was assassinated by three men, who shot her three times with a .45-caliber pistol as she walked home from her university office.

The government might have been able to contain the negative publicity accompanying the murder of a leading human rights activist had not two other significant events occurred around the same time. In May, the Inter-American Commission on Human Rights (IACHR) of the Organization of American States (OAS) delivered a stinging blow to Mexico's electoral process. Responding to a complaint by the National Action party (PAN) that charged electoral fraud in local and state elections in Chihuahua and Durango in 1985 and 1986, the commission found the two states' electoral codes in violation of Article 23 of the OAS's American Convention on Human Rights, which guarantees citizens the right to vote in genuine periodic elections.

At about this time, too, the United States-based human rights monitoring group Americas Watch was finishing up its first comprehensive report on human rights conditions in Mexico. A copy of the report, entitled *Human Rights in Mexico: A Policy of Impunity*, was sent to the Mexican government in early June, a week in advance of the publication date. As it turned out, it was received just days before Salinas and President George Bush were scheduled to announce their intention to begin negotiations for a free trade agreement between Mexico and the United States.

The Mexican government preempted negative publicity that it feared would mar the occasion. Four days before the meeting, President Salinas established the National Human Rights Commission (CNDH) to investigate human rights complaints, propose recommendations for legislative and other reforms to prevent future abuses, and develop programs to educate Mexican officials and the public about human rights. He subsequently implemented a series of legal and institutional reforms and personnel changes aimed at further improving the human rights environment. Thus, while acknowledging that human rights in Mexico was a pervasive problem, Salinas worked hard to convince the world that it was one his administration had under control.

AWAKENINGS IN CIVIL SOCIETY

When Salinas took office in December 1988, there were only a handful of human rights organizations in Mexico. Today there are almost 200 independent nongovernment human rights monitoring and advocacy groups throughout the country. Thirty of these have joined together in a national human rights network, "All Rights for All," to defend and publicize urgent cases and exchange information and resources on civil, political, labor, women's, and indigenous rights issues. The extraordinary growth of the nongovernment human rights movement in Mexico can be partially explained as a response to Salinas's legitimization of human rights as a subject of public concern. But the main impetus has come from changes in the political arena in recent years.

Since 1929, Mexico's single-party political system

has dominated civil society. Virtually indistinguishable from the federal government, the ruling PRI has the controlling power in state and local governments, business interests, organized labor, farm labor, and the media. The PRI maintains its grip on power by generously rewarding loyalty, by absorbing dissenters, and by punishing those who refuse to be co-opted. While members of the PRI represent a wide range of viewpoints, they debate their differences when out of the public eye. At the apex of this political structure is a super-powerful president who enjoys, among other privileges, the right to handpick his successor.

This system suffered a serious fracture during the 1988 presidential campaign. As a result of a series of economic crises, the PRI lost control of a significant portion of its membership. In cooperation with several previously insignificant leftist parties, the breakaway faction fielded an opposition presidential candidate, Cuauhtémoc Cárdenas, the son of one of Mexico's most revered presidents. The election was close, and was marred by fraud. While the PRI declared victory, Cárdenas supporters claimed their candidate had actually won the popular vote.

The political awakening brought about by Cárdenas's success quickly moved beyond federal electoral politics. Cárdenas backers formed the PRD, which went on to challenge candidates from the ruling party in state and local elections. PAN, the only major long-standing opposition party, was emboldened by the May 1990 IACHR ruling and by a second opinion from the group condemning electoral fraud in Nuevo León state the following year, and especially by the government's decision in July 1989 to accept that a PAN candidate had won the gubernatorial race in Baja California. Since 1988 PAN has been a leader in condemning electoral fraud, election-related violence, and associated human rights abuses.

Many peasant, labor, environmental, and other social groups were formed during the political disorder, or took advantage of it to expand their support base and the scope of their work; some were affiliated with the PRD, and a few were affiliated with PAN, but most were politically independent. In this climate human rights organizations flourished. Leading the way was the PRD's human rights department, which compiled lists and filed complaints with the government that named party members who, it claimed, were victims of election-related violence or abuse. Church-based and independent groups were not far behind; their mandates include not only election-related human rights violations but a broad range of civil, political, economic, and social rights concerns. Collectively, these groups have labored to ensure that the issue of human rights is kept at the forefront of public attention.

THE GOVERNMENT'S INCOMPLETE PROMISES

By far the most significant of the Mexican government's human rights reforms has been the creation of the CNDH. Although the CNDH is an ombudsman agency that lacks prosecutorial powers, it has been an effective advocate for human rights in Mexico. The commission's president, former Supreme Court Justice Jorge Carpizo, has lived up to his reputation as a person with an unwavering determination to fulfill his responsibilities. He directs a large staff that includes some 80 lawyers responsible for investigating complaints. Ten of Mexico's best known writers, journalists, and academics serve as commission advisers.

To date the CNDH has issued hard-hitting recommendations in over 300 cases, a large percentage of which involve torture, homicide, death threats, the illegal deprivation of liberty, or inhuman prison conditions. Many have included highly publicized incidents or cases that nongovernment groups focused on. But others, often equally egregious, first received public attention as a result of a CNDH recommendation. About one-quarter of the recommendations are directed at the federal attorney general, while most of the remainder are directed at state government officials, the heads of federal agencies, or judges. Many call for the prosecution of police officers who committed abuses and the officers' superiors.

Although the commission was born into constitutional limbo, in January 1992 the Mexican constitution was amended to ensure the CNDH's permanence and to grant it administrative autonomy and independence from the Interior Ministry, where it was initially quartered. But at the same time, the constitutional amendment reduced the scope of the CNDH's mandate to investigate violations. Before the measure's passage, the CNDH voluntarily chose not to investigate cases involving labor rights, election irregularities, and cases under the jurisdiction of courts; now it is proscribed from doing so.

In addition, the amendment mandated that each of Mexico's 31 states set up before January 1993 a commission to investigate grievances relating to abuses by state authorities; once a state establishes its own commission, the national body loses primary jurisdiction in the investigation of abuses in that state, though it will still hear appeals. As of last November, approximately one-third of Mexico's states had established commissions.

By its own assessment, the CNDH's acceptance and authority has steadily increased during its two and a half years of operation. During the first year it was routinely stymied by federal attorney general Enrique Alvarez del Castillo and many state officials. Despite a decree by Salinas ordering all prosecutors, police, and other government agencies to cooperate fully, they refused to comply with CNDH recommendations or did an end run around the commission by promising

to initiate an investigation while planning on doing nothing. In June 1992, commission president Carpizo, after comparing in the fourth semiannual report the number of complaints received and resolved in each of the first two years, concluded: "These numbers show that the National Commission has gained a greater presence in the country and is being turned to increasingly, even in relation to matters that are not in its purview."

While the CNDH may have achieved increased recognition—it now has its own multistory building, and a road sign on a major highway advises motorists of its location—other statements by Carpizo indicate his awareness that human rights in Mexico still have a long way to go. In June and again in September of last year, the commission blasted numerous state and federal government agencies for failing to comply fully with 113 of its 289 recommendations as of that date on completing investigations or prosecuting those responsible for abuses; 14 of these recommendations were in homicide cases and 3 involved disappearances during the Salinas administration.

Twenty-five of the unfulfilled recommendations are directed to the federal attorney general's office and pertain to agents of the FJP alleged to have been involved in torture, illegal detention, or other serious human rights violations. Notorious among them is the March 24, 1992, recommendation calling for the sentencing of 14 people, including 12 members of the federal attorney general's staff, who are alleged to have been involved in the murder of the Quijano brothers.

Other unfulfilled recommendations are directed against state authorities. Examples include two recommendations on the disappearance of José Ramón García Gómez, the second of which calls on the governor of Morelos state to prosecute former State Judicial Police director Antonio Nogueda Carvajal and the former state political investigation chief. On February 10, 1992, Daniel Estrella Valenzuela, a lawyer from the PRT, García Gómez's political party, was appointed special prosecutor with a mandate to investigate the disappearance. On March 20 Estrella Valenzuela flew by helicopter to a mountainous region to arrest Nogueda Carvajal. The helicopter crashed, reportedly due to a power loss. Three people died and Estrella Valenzuela was injured. The PRT, noting that the helicopter's engine was new and that its pilot had received death threats from the FJP, requested that the CNDH investigate the crash.

Other human rights initiatives by the Salinas administration since June 1990 have been less effective. In response to mounting domestic and international pressure, and to a string of particularly egregious cases of abuse, steps have been taken to overhaul the FJP. Key officials in the federal attorney general's office, including Attorney General Alvarez del Castillo, were replaced. Training programs and other measures were instituted to professionalize the FJP. According to Carpizo, relations between the CNDH and the attorney general's office have improved. Yet allegations of FJP torture and other forms of abuse continue to be received by the CNDH and nongovernment human rights groups, and there have been only a handful of arrests and prosecutions.

In February 1991, new laws aimed at preventing due process abuses in the criminal justice system went into effect. While these laws, on paper, represent improvement, they fall short of fully protecting the rights they purport to guarantee. One of the new provisions, for example, is aimed at reducing police torture of criminal suspects by permitting courts to accept the validity of confessions only when they are made before a judge or public prosecutor in the presence of defense counsel or another confidante of the defendant. Unfortunately, because of the close administrative links between police and prosecutors, and because a suspect is confronted by a prosecutor before a judge assumes jurisdiction over his or her case, police use of torture to extract confessions is still a serious problem. Since passage of the law, many criminal defendants, including those who had defense attorneys at their sides, have claimed that they confessed to a prosecutor out of fear that if they had not done so they would have been tortured when returned to police custody.

More significantly, while law reform can be worthwhile, in Mexico it is often used as a substitute for law enforcement. Mexico's human rights law is already very good. Yet when confronted with criticism on human rights, the government tends to respond by tinkering with existing laws instead of applying them.

Ending Rights Abuses: How Serious Is the Government?

While the Mexican government has worked hard to create the impression that it has the human rights situation in hand and that improvements have been implemented, it has made it difficult for outside observers to independently verify whether these have in fact taken place. It is not uncommon to see news reports that hundreds of federal agents have been terminated or are being prosecuted. But it is virtually impossible to determine the names of those agents, the nature of the acts that led to action being taken against them, or the status or outcome of their prosecutions.

One indicator that the government is not as serious about eliminating human rights abuses as its rhetoric suggests is its treatment of those responsible for past abuses. Last November the United Nations Committee Against Torture condemned the stark contrast between Mexico's normative framework for protecting human rights—which it found to be one of the best in the

world—and the impunity that so many public servants enjoy for the cruel treatment they mete out.[1]

That same month the federal attorney general's office was stung by a report first announced in the Mexican human rights journal *Filo Rojo* and later published by the World Policy Institute.[2] The report, which relied extensively on information published by the CNDH, traced the careers of eight FJP officers known to have been involved in multiple violations of human rights. In each case, instead of being prosecuted, the offenders were quietly reassigned to a different part of the country, where they again participated in homicide, torture, disappearances, or illegal detention. The attorney general responded to the report with a press release that asserted all eight officers had been dismissed, though it acknowledged that only four had been charged with crimes and only one was in custody.[3]

Another indication that the government is not serious about eliminating human rights abuses is the way it conducts itself when under pressure to identify the culprit in a crime. Very often, in lieu of conducting a proper investigation, the government uses torture or intimidation to force a confession from a suspect against whom there is little or no other evidence. One egregious example followed the July 1991 murder of Ciudad Juarez homeopathic physician and newspaper columnist Víctor Manuel Oropeza. Although the federal attorney general's office took charge of the investigation and invited a local human rights group to observe interrogation sessions, suspects were picked up for questioning without warrants and appeared for interrogation covered with bruises. The attorney general's human rights staff officer, María Teresa Jardí Alonso, resigned after publicly concluding that the government had "manufactured guilty parties" in the case through the use of torture.

The government also engages in or allows other types of abuse to persist. Workers and peasant activists continue to risk physical violence when they attempt to exercise their rights of freedom of association and expression during labor and land disputes. Moreover, little has been done to alleviate the partisan violence that has plagued Mexican elections. Four PRD members were ambushed and machine-gunned to death in Michoacán following the hotly contested July 12, 1992, gubernatorial election in that state. According to the PRD's human rights office, five other party activists were killed in Michoacán in election-related violence between the following July 27 and October 16, and a PRD deputy-elect's house was fired on. The PRD has filed a complaint with the National Human Rights Commission claiming that these incidents were politically motivated.

Election monitors have also been targets of abuse. Last September Michoacán-based election observer Morelos Marx Madrigal Lachino was kidnapped in Mexico City by two armed men dressed like FJP. He was held incommunicado for three days, during which time he was beaten and interrogated about his ties to the PRD and a nonpartisan election monitoring group. In November, Tatiana Clouthier, an outspoken opponent of electoral fraud and the daughter of PAN's 1988 presidential candidate, was nearly killed in Sinaloa two days after statewide elections there; as she and a friend drove along the state's main highway, a car with darkened windows tried to force their car off the road.

Journalists, and even human rights monitors, are also subject to assault and intimidation. Carlos Menéndez Navarrete, director of the independent newspaper *Diario de Yucatán,* was the target of attacks after his newspaper criticized the Yucatán state government's brutal suppression of a peasant demonstration. Last July 21 unidentified people pelted his house with stones, attempted to pry open his front door, and damaged two automobiles. The following week a bomb was planted on the premises of his newspaper. These crimes remain unsolved. In late October, María Teresa Jardí Alonso, one of Mexico's best known human rights advocates, who now works for the Archdiocese of Mexico City, received a series of written death threats. They were a frightening reminder to human rights monitors throughout the country of the dangers that accompany their work.

At the same time, these human rights monitors and the movement they have created serve as a beacon of hope in the face of the serious human rights violations that persist in Mexico. Their call for an end to torture and other forms of police abuse, the elimination of impunity and electoral fraud, and absolute guarantees of freedom of expression and association for all of Mexico's people should be heeded by the Mexican government. Their efforts to press their government to abide by its obligation to protect the human rights of its people should be supported by the international community. ■

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[1]Anne Marie Mergier, "Reprueba el Comité de Tortura de la ONU el informe del gobierno mexicano," *Proceso,* November 23, 1992, p. 16.

[2]Alicia Ely-Yamin (in cooperation with the Mexican Commission for the Defense and Promotion of Human Rights) and María Teresa Jardí, "Justice Corrupted, Justice Denied: Unmasking the Untouchables of the Mexican Federal Judicial Police," (New York: World Policy Institute Mexico Project, November 20, 1992).

[3]Procuraduría General de la Republica, *Boletín de Prensa,* November 12, 1992.

"[R]ecent United States-Mexican drug programs represent a failure of imagination. For years, experts on drug control and drug addiction have called for a drastic reassessment of priorities in the global fight against drugs, pointing to the demand for narcotics as the true battleground. Until Mexico and the United States have the courage to construct creative policy alternatives, the war on drugs will continue to be a lost cause."

The Militarization of the Drug War in Mexico

BY KATE DOYLE

Mexico remains a critical target in Washington's war on drugs. Unlike other Latin American "source nations," Mexico's relationship with the United States goes far beyond the drug trade: as one 1992 State Department memo put it, "Mexico's economic and geopolitical importance to the United States exceeds that of any other drug trafficking/producing country."[1] The force of this observation has not always been evident within the realm of counternarcotics activities. Early incarnations of United States-Mexican anti-drug programs were dominated by law enforcement concerns, and controlled by the two countries' judiciary and police. The elections of George Bush and Carlos Salinas de Gortari in 1988, however, brought about a significant shift in the terms of the drug war debate: soon after taking office, both presidents deliberately recast narcotics trafficking as a threat of national security dimensions.

Mexico's decision to adopt what was first a United States position toward the drug war stems from a confluence of common interests that had developed over several years. Following the staggering foreign debt crisis of 1982, Mexico gradually began to seek closer financial and political ties with its northern neighbor as it attempted to restructure its economy. The effort led not only to drastic macroeconomic adjustments in an attempt to attract United States trade and investment, but also to a shift in Mexico's social and political foundations. Starting with President Miguel de la Madrid Hurtado, who served between 1982 and 1988, and accelerating under Salinas, the Mexican government took steps to bring its policies closer to the United States in a number of areas: distancing itself from nearby Central American conflicts, such as the guerrilla wars in Nicaragua and El Salvador; arresting several notoriously corrupt public figures at home; and inching toward the image of a modernized political system by permitting the victory of one conservative opposition candidate in a gubernatorial election. Within this context, the convergence of United States-Mexican counternarcotics policies was as inevitable as it was unusual.

DRUGS AS A THREAT TO NATIONAL SECURITY

The move to elevate the narcotics trade beyond a law enforcement issue was initiated in 1986 by National Security Decision Directive (NSDD) 221, which was signed by President Ronald Reagan. While the text of the directive remains classified, a Department of Defense briefing on it outlines some of the document's most important implications. Explicitly calling international narcotics trafficking "a threat to United States national security," the directive widens the circle of national drug enforcers to include the Departments of Defense, Treasury, Transportation, Justice, and State, the Central Intelligence Agency, and the National Security Agency (responsible for intercepting global electronic communications). According to the briefing, the NSDD directs the military to actively support for the first time a range of international counternarcotics activities, such as the planning and execution of large anti-drug operations, intelligence collection, combined exercises, the training of foreign military forces, and technical and matériel support to foreign governments. Most important, the briefing quotes a CIA National Intelligence Estimate that provides a rationale for encouraging foreign nations to treat the drug issue as a threat "that goes beyond concern for the drug trade itself": "Powerful trafficking organizations can corrupt and undermine political, social, and security institutions within democratic nations."

Reagan's call to arms had striking implications for

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[1]All United States government documents cited in this article may be found in the holdings of the National Security Archive in Washington, D.C.

Mexico, as it did for all Latin American and Caribbean allies of the United States affected by the drug trade. No longer confined within a traditional enforcement framework, the American war on drugs promoted an unprecedented collaboration between United States executive, enforcement, military, and intelligence establishments, and required similar collusion between their Latin American counterparts. The demand was problematic for the Mexican government. While the country had always been a relatively "cooperative" participant in United States counternarcotics strategies, it was firm in insisting that its powerful neighbor stay out of internal Mexican affairs. The Reagan administration's new emphasis on bilateral drug control initiatives was also accompanied by another demand to participate directly in Latin American anti-drug strategies, which created immediate tensions within Mexico.

Despite the political dilemma posed by the issue, President de la Madrid eventually echoed Reagan's pronouncements by announcing that drug trafficking was indeed damaging to Mexican interests and should be considered a threat to the country's security. At the same time, de la Madrid began developing an early version of a national security apparatus with the creation of a new National Office for Information and National Security within the Government Ministry. De la Madrid's stance was surprising at the time, given Mexico's tendency not to use the rhetoric of "national security"—preferring instead the language of sovereignty—and thus avoid building the kind of executive bureaucratic structure necessary for carrying out national security policy. In the view of previous Mexican political leaders, national security doctrine had long been used to justify precisely the type of obtrusive, interventionist policies that the United States had used toward Latin America in the past, and in that sense represented a danger rather than a safeguard.

Serious public debate over the issue began to emerge in the 1980s, when Mexico's fiscal crisis, border conflicts with Guatemala, and social unrest throughout Central America provoked new consideration of the concept. Real progress in the establishment of the country's security apparatus did not take place until Salinas assumed office in 1989. Salinas had strongly reiterated de la Madrid's pronouncement that drug trafficking was a security threat, "because of the harm it can do to the Mexican political and social system," as he said during his presidential campaign. His innovations included the creation of a formal national security council (which considered drugs among its concerns), consolidation of executive functions under an Office of the Coordination of the Presidency, and development of a new national intelligence agency. Additional bureaucratic changes related to Mexico's anti-drug campaign also took place, such as the creation of a section within the attorney general's office to combat drug trafficking, new interdiction units of the Federal Judicial Police, and a new army staff section for special operations that concentrated on developing anti-narcotics activities.[2]

Salinas's decision to make the drug trade a national security threat, and his efforts to construct the bureaucracy to address it, coincided with rhetoric emerging from the new Bush administration. As the State Department's International Narcotics Control Strategy Report (INCSR) for 1989 made clear, Latin American nations would henceforth be encouraged to discard old notions of sovereignty (which, after all, cast the United States in the leading role of aggressor). Source and transshipment nations needed to consider instead "the threat the narcotics trafficking organizations could pose to government authority." Borrowing language used during the Reagan years to warn Latin America about the danger insurgencies posed to legitimate authority, the report underscored "the urgency with which governments must address their narcotics problem if stability is to be realized." The primary means by which the drug trade was undermining Mexico, according to the document, were massive transshipments of weapons (destined for South America) by drug traffickers; the increased opportunity for corruption presented by drug transactions; and the troubling appearance of "an increasing number of Colombians within Mexico."

This last image was driven home repeatedly by Melvin Levitsky, head of the State Department's Bureau of International Narcotics Matters, during congressional hearings on United States drug control programs. In 1991, for example, Levitsky warned of a new "springboard" effect occurring in Mexico, Central America, and the Caribbean nations: "The countries of the region that we are talking about today do not want to become drug trampoline points. They do not want to have large areas of their countries taken over by drug traffickers who declare their own sovereignty in their areas of operations."[3]

By appropriating the rhetoric of sovereignty, Bush's State Department managed simultaneously to appeal to historic Mexican concerns about foreign influence while reinforcing United States objectives in the war on drugs.

THE HISTORY OF A CHANGING RELATIONSHIP

The contemporary convergence of interests between the United States and Mexico is a far cry from the tense and often ambivalent relations of the past. From the earliest days of United States-Mexican anti-drug opera-

[2]Peter Reuter and David Ronfeldt, "Quest for Integrity: The Mexican-United States Drug Issues in the 1980s" (Santa Monica, Calif.: RAND Corporation, 1992), pp. 22–24.

[3]United States House Committee on Foreign Affairs, Subcommittee on Western Hemisphere Affairs, *Review of the 1991 International Narcotics Control Strategy Report* (Washington, D.C.: Government Printing Office, 1991), p. 111.

tions during the Kennedy-López Mateos years, collaboration on crop eradication programs was something to be practiced but not discussed. Although the United States was already sending equipment for "narcotics destruction," the Mexican government—according to a memo drawn up by the United States Agency for International Development in 1962—"because of its extreme sensitivity in its relations with us, has not acknowledged publicly within Mexico the source of the equipment." United States personnel from the Bureau of Narcotics and Dangerous Drugs (a forerunner of the Drug Enforcement Administration, or DEA), which first arrived in Mexico in 1961, were likewise tolerated but not publicized.

The first major clash over counternarcotics strategies occurred during the Nixon-Diaz Ordaz administrations with Operation Intercept. In an attempt to check the enormous increase in marijuana entering the United States from Mexico—and to promulgate Nixon's image as a president who was "tough on crime"—United States Attorney General John Mitchell organized the closing of the United States-Mexican border for almost three weeks. Though the operation forced marijuana traffickers to retreat temporarily, it made little difference in seizure levels and brought a storm of criticism from Mexican and border state officials alike. As a result, the two governments agreed on a "permanent campaign" of crop eradication inside Mexico, and dropped interdiction as the main focus of their efforts.

The next decade saw a dramatic rise both in opium production in Mexico—as the success of United States counterdrug activities in Turkey and France pushed the heroin trade out of its traditional route—and in the levels of aid flowing from the United States for eradication programs. By 1975, an estimated 80 percent of all heroin consumed in the United States came from Mexico. Meanwhile the State Department, which in 1973 established its Bureau of International Narcotics Matters to coordinate global anti-drug efforts, sent more than $95 million in equipment and training programs to Mexico over the course of the 1970s. United States assistance included helicopters, planes, submachine guns, shotguns, tear gas projectiles, and at least 30 DEA agents working with the Federal Judicial Police.[4]

The discovery of major oil reserves off the Mexican coast in 1972 and 1976 prompted a call in the United States for a fresh assessment of United States-Mexico relations, and President Jimmy Carter's National Security Council (NSC) eventually obliged by producing an unusually long "Presidential Review Memorandum" (NSC-41) entitled "Review of United States Policies Toward Mexico" in November 1978. The paper (now partially declassified) recognized in its opening sentence that relations with the Mexican government were "increasingly important and delicate," and went on to analyze in a series of annexes 13 aspects of United States interests in Mexico, including energy, trade, migration, and narcotics. Calling Mexico "central" to international supply reduction programs, the document praised Mexican anti-drug efforts as "vigorous" and "successful."

In reality, however, the Carter White House was not particularly interested in drug control, and the NSC paper is primarily a testament to how awkward bilateral relations had become (at one point it called United States policy toward Mexico "increasingly shapeless, even contradictory"). While Washington was willing to invest equipment and training in the fight against drugs—reaching, in 1978, a total of $18.5 million for the year—the programs remained fundamentally Mexican, with the majority of the funding coming from Mexico and the staffing by Mexican police and military personnel. The aid helped, though. By 1980 the combined efforts of an extensive herbicide campaign (relying heavily on American equipment) and a ruthless crackdown by security forces on local growers had pulled Mexico's estimated narcotics production down from its 1970s high. The amount of opium and heroin entering the United States from Mexico fell to as little as 25 percent of the total consumed.

Reagan's inauguration did little to change the status of the drug war initially. Although Reagan ran for office as a candidate who was "tough on crime," and made reference to fighting drug traffickers in his speeches, the early Reagan years were dominated by budget cuts. Drug control aid levels to Mexico fell by more than half to a steady $7 million to $8 million a year, and allocations to United States law enforcement agencies similarly dropped.

The elevation of the international narcotics trade to an imminent danger came later, when White House officials decided that links existed between Latin American drug traffickers and revolutionary guerrilla organizations. In a January 1986 interview with *Noticias de Mexico,* the president called trafficking and terrorism "twin evils," and claimed they represented "the most insidious and dangerous threats to the hemisphere today."[5]

By that time, Reagan's war on drugs had settled firmly into what would serve as United States counternarcotics policy for years to come. Although the administration acknowledged that domestic demand for narcotics was a factor in the escalating trade, Reagan's White House concentrated its rhetoric and resources on attacking drugs at their "source": the countries where the narcotics were actually produced.

[4]Jonathan Marshall, *Drug Wars: Corruption, Counterinsurgency and Covert Operations in the Third World* (Forestville, Calif.: Cohan and Cohen Publishers, 1991), p. 21.

[5]Quoted in Elaine Shannon, *Desperados: Latin Drug Lords, U.S. Lawmen, and the War America Can't Win* (New York: Viking, 1988), p. 175.

United States International Narcotics Control Mexican Program, 1984–1992 (in millions of dollars)

1984	8.3
1985	9.7
1986	11.6
1987	14.5
1988	14.5
1989	15.0
1990	15.0
1991	21.4
1992	20.0

Figures are from the United States Department of State, Bureau of International Narcotics Matters.

Mexico National Drug Control Program 1984–1992 (in millions of dollars)

1984	15.9
1985	Not available
1986	Not available
1987	18.1
1988	23.1
1989	37.0
1990	53.0
1991	75.0
1992	140.0

Figures are taken from United States Department of State, Bureau of International Narcotics Matters, *International Narcotics Control Strategy Report.*

The emphasis on interdiction abroad (rather than education and treatment at home) prompted a call for increased enforcement capabilities, and the United States launched its most ambitious program ever to arm and train foreign military forces for the war. Latin America and the Caribbean were the primary beneficiaries of this new crusade, with "anti-narcotics assistance" to countries such as Peru, Bolivia, and Colombia quickly soaring to a total of tens of millions of dollars.

Problems with the Reagan strategy appeared almost immediately. In 1981, for example, the administration inaugurated its first concerted effort with the interagency "South Florida Task Force," aimed at stemming the drug traffic pouring through the Caribbean and into the southeastern United States. The operation was initially successful by most measures. Week after week, interdiction figures grew as United States enforcement officials seized ever-larger cargoes of cocaine and marijuana. Drug traffickers who had become accustomed to routes over Caribbean waters were forced to adjust their flight patterns. They did so by moving west, with devastating consequences for Mexico. Once considered by the United States a model of cooperation, Mexico found itself accused of failing in the war on drugs after several major caches of narcotics were found there in 1984. Washington immediately increased the levels of anti-narcotics assistance for Mexico, but tensions between the governments of the two nations rose.

The kidnapping and murder of DEA agent Enrique Camarena in February 1985 threw United States-Mexican relations into further turmoil, resulting in a second punishing border closure that lasted eight days. Yet despite evidence that Mexican security forces (and higher government authorities) had been involved in carrying out (or covering up) the killing, United States activities in Mexico intensified as supply-side control strategies took hold in Washington. One paper from the State Department's Narcotics Assistance Unit in Mexico City, written shortly after the Camarena murder, gives a sense of the range of programs being pursued at the time: they included flight safety training classes taught by contractors from E-Systems, Inc., of Texas; the conversion of Bell 212 helicopters in order to fumigate crops; the investment of tens of thousands of dollars in an aerial survey project to evaluate cultivation levels; the establishment of an information center at the United States embassy in Mexico City and the purchase of a computer system for it; and the leasing of a number of Turbo Thrush fixed-wing crop dusters for use in eradication. According to official figures, United States anti-narcotics aid in the year after Camarena's death climbed to $11.6 million; in 1987 it increased again to $14.5 million.

PENETRATING THE MEXICAN MILITARY

United States demands on Mexico's military for assistance in the drug war also increased. While the armed forces had been used in manual eradication programs for years, contacts between United States agencies and the Mexican military were minimal. Due to Mexico's long-standing position that its military should remain independent of American influence, few of the ties typical of most Latin American and Caribbean nations had been forged with the United States. A brief period after World War II represented the height of cooperation between the countries' defense forces, when the Joint United States-Mexico Defense Committee was created that helped coordinate Mexico's Pacific Command with the United States Fourth Army, and managed a leasing program under which the

United States granted Mexico $40 million of matériel to upgrade its army. In the atmosphere of the cold war that followed, however, the defense agreement dissolved, and Mexico's foreign and military policies grew increasingly distant from the United States. In 1951, Mexico refused to sign the Rio Treaty, a United States-sponsored mutual defense pact intended to create formal links among United States and Latin American militaries.

Mexico's cool relationship with the United States Department of Defense continued into the beginning of the 1980s. The Mexican armed forces received virtually no aid through military assistance programs, and little from foreign military sales agreements. The country steadfastly rejected any relationship with the Panama-based United States Southern Command, whose area of responsibility covers the rest of Central and South America, leaving military-to-military contacts up to Forces Command, a subordinate army command that does not have much experience working with foreign governments. Any security assistance programs that the United States oversaw from Mexico City operated out of a small defense attaché's office in the American embassy, since Mexico did not permit the United States to run the usual "Military Group" out of its Defense Ministry.

Signs of change began to appear during the Reagan administration, when United States agencies appealed to Mexico's armed forces to play an increased role in counterdrug programs. United States equipment and training for the military soared. Following fairly low levels of financing provided by foreign military sales in prior years, for example (a total of approximately $22.1 million for the period between 1950 and 1981), foreign military sales deliveries jumped to just under $120 million for fiscal years 1982 through 1989. The licenses granted by the United States for commercial arms sales to Mexico also skyrocketed during the period: while licensed exports came to a sum of $16.6 million for the three decades preceding Reagan's terms, fiscal year 1987 saw $218 million granted for that year alone. Subsequent years show a steady flow of arms licenses to the tune of about $40 million annually.[6] Similarly, international military education and training programs rose as increasing numbers of Mexican armed forces personnel received professional military education and attended repair and maintenance classes at United States schools, and underwent training to operate equipment used in anti-drug activities. In short, by the time Bush and Salinas were elected, United States assistance for the Mexican military had risen across the board, with much of the aid coming under the auspices of joint counternarcotics programs.

Indeed, the drug war appears to be providing the United States with a means to penetrate Mexico's defense and police institutions in ways previously unimaginable. In addition to increased military assistance, the United States has provided equipment and expertise for the establishment of a new interdiction team based in the Mexican attorney general's office. Known as the Northern Border Response Force, it consists of 1,800 members of the Federal Judicial Police who have been organized into rapid reaction units for counterdrug missions. Using 21 UH-1H helicopters leased from the United States, the force relies on intelligence transmitted to it by a tactical assistance team of United States military and DEA personnel that has been working out of the United States embassy in Mexico City since 1990. This arrangement has allowed a number of highly unusual joint interdiction efforts.

In one secret operation coordinated by United States and Mexican counternarcotics forces in February 1990, for example, the Northern Border Response Force used intelligence from United States radar to arrest three Colombian drug smugglers and five of their Mexican guards as they unloaded almost a ton of cocaine onto a remote Mexican airstrip. According to the April 9, 1990, *Los Angeles Times,* the operation was a success because of an unprecedented collaborative effort. For the first time, Mexico allowed a United States Customs P-3 radar plane to enter Mexican airspace in pursuit of the target, which the P-3 had located flying up the Pacific coast from Colombia. United States radar operators then used new intelligence channels in the United States embassy to warn Mexican authorities of the smugglers' approach. When the drug plane landed on an airstrip near Monclova in northern Mexico, agents from the DEA and the Northern Border Response Force were there to meet it.

The involvement of Mexican security personnel extends beyond the army and federal police. Although the Mexican navy refuses to participate openly in combined joint maneuvers with United States Coast Guard personnel, some elements of the navy have taken part in so-called "coincidental" missions in the Pacific Ocean and the Gulf of Mexico. Coast Guard personnel are permanently stationed at the United States embassy in Mexico City, and Coast Guard "military training teams" provide maritime law enforcement and port security training to their Mexican counterparts. The Coast Guard also serves as a source of equipment, providing, for example, decommissioned United States patrol boats for maritime interdiction.

The Mexican air force also plays a role in the drug war, although its effectiveness is unknown. The origin of air force cooperation stems from a controversial transaction facilitated by the United States Export-

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[6]This section owes much to the chapter on United States security assistance in Tom Barry, ed., *Mexico: A Country Guide* (Albuquerque, N.M.: The Inter-Hemispheric Education Resource Center, 1992).

Import Bank in 1988. In July of that year, the bank guaranteed a loan to the Mexican military for a $40 million purchase of a radar system from the American firm Westinghouse. According to the State Department, the system was activated in December 1991 after long delays, and is operated by the air force to track suspicious aircraft flying north from South America over Mexico. On the surface, the radar appears to respond to American concerns about drug traffic through southern Mexico. It does not cover areas used heavily by drug aircraft, however, omitting the Yucatán peninsula altogether, and some have proposed that the military purchased it to spy on Guatemalan airspace rather than interdict drug traffickers. The DEA told the House Foreign Affairs Committee in 1992 that the radar is a Mexican air force system "whose primary focus is national defense, not counternarcotics."

If the radar is ultimately deployed for use in the drug war, it will serve as another means for sharing intelligence between United States and Mexican security personnel. Through the embassy-based tactical assistance team, the United States has already increased information exchanges with Mexican police units, and will continue to do so as United States and Mexican drug agents make their communications gear operate together, a project currently under way. American military components similarly seek to enhance intelligence contacts with their counterparts. According to a 1991 cable recently released by the United States army under a Freedom of Information Act request, "the Mexican military may become instrumental in gradually establishing a semi-autonomous intelligence capability to support counter-narcotics operations which would not have to rely on Mexican police authorities for information."

The growing involvement of the Mexican armed forces in the war on drugs raises questions about the wisdom of assigning soldiers to perform the work of an internal security force. In his 1992 book *Generals in the Palacio: The Military in Modern Mexico,* Roderic Ai Camp warns that through the anti-drug campaign the military has become "the supreme authority" in some Mexican states, such as Oaxaca, Sinaloa, Jalisco, and Guerrero, suggesting that the subversion of local civilian authority may result. Others, such as former Mexican government official Adolfo Aguilar Zinser, fear that "with the United States requesting information of all types about the army's activities," tensions may rise if the military feels unprotected by the government.[7] Given the dismal human rights record of the armed forces, the wisdom of funneling increasing levels of equipment, weapons, and training to them is questionable at best.

THROWING BAD MONEY AFTER BAD

More disturbing, however, is the insistence by Mexico and the United States to continue pursuing a bankrupt counternarcotics strategy. By the end of the Bush administration, the United States anti-narcotics budget surpassed $10 billion annually, with more than 70 percent of the total expended on interdiction and enforcement programs. Yet study after study has shown that over a decade of United States "supply-side" drug control policies in Mexico and elsewhere has failed to stanch the flow of narcotics from the southern hemisphere into industrialized, drug-consuming nations. And while Mexico has genuine concerns about the dangers posed by foreign drug traffickers, treating the drug trade as a threat to national security creates new dilemmas. In 1990, for example, the DEA hired bounty-hunters to kidnap and transport to the United States Mexican doctor Humberto Álvarez Macháin, believed by the DEA to have participated in the torture of DEA agent Enrique Camarena. Mexico bitterly protested this violation of its sovereignty bitterly, but to no avail. To United States drug agents, the abduction was a natural extension of an aggressive enforcement strategy—the same strategy adopted by President Salinas with such enthusiasm after his election. Although Mexico now says it will eschew further drug control aid from the United States, the fundamental policy of relying on security forces to attack drugs at their source remains intact. And the massive, and largely secret, joint counternarcotics operations pursued by the United States and Mexico will continue to accelerate.

Ultimately, recent United States-Mexican drug programs represent a failure of imagination. For years, experts on drug control and drug addiction have called for a drastic reassessment of priorities in the global fight against drugs, pointing to the demand for narcotics as the true battleground. Until Mexico and the United States have the courage to construct creative policy alternatives, the war on drugs will continue to be a lost cause. ■

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[7]Adolfo Aguilar Zinser, "Civil-Military Relations in Mexico," in Louis W. Goodman et al., eds, *The Military and Democracy: The Future of Civil-Military Relations in Latin America* (Lexington, Mass.: Lexington Books, 1990), pp. 230–231.

BOOK REVIEWS

ON MEXICO AND LATIN AMERICA

Drug Policy in the Americas
Edited by Peter H. Smith. Boulder, Colo.: Westview Press, 1992. 366 pp., $54.95, cloth; $18.95, paper.
War on Drugs:
Studies in the Failure of U.S. Narcotics Policy
Edited by Alfred W. McCoy and Alan A. Block. Boulder, Colo.: Westview Press, 1992. 359 pp., $45.00.

The 22 chapters in Smith's book touch on almost every aspect of the drug trade in the Americas: from the new economic landscape created by coca producers in the Andes to theories of treating drug addiction in the United States and analyses of country-specific drug policies.

By abandoning the narrow confines of a study that focuses on only one of these issues, *Drug Policy in the Americas* offers a breadth that allows the reader to think about the effects of the drug trade on a macro rather than a micro level. The styles and methods of the authors also run the gamut from that of the idealist to the serious number-cruncher.

An unusual but welcome entry by María Elena Medina-Mora and María del Carmen Mariño details the rise in drug abuse in Latin America. Their essay is important because it counters the prevailing (and incorrect) image of Latin America as a vast warehouse of illegal substances targeted solely for export to the United States.

Miguel Ruiz-Cabaña piece on Mexico describes how the country has imbibed the American notion of drugs as a national security threat from successive United States presidents (for more on this, see the article by Kate Doyle in this issue). He also notes President Carlos Salinas de Gortari's commitment to fighting the drug trade (known officially as the "Permanent Campaign") and willingness to cooperate with the United States are greater than his predecessors.

Smith's book works well as an introduction to the many issues surrounding the inter-American drug trade; it offers a solid grounding with its history and presents a range of proposals for unilateral, bilateral, and multilateral responses.

War on Drugs is a collection of essays by 11 authors that offers a depressing assessment of the attempts by the United States to eradicate the "scourge of our time."

In their introductory chapter, the editors present a convincing argument that the militarization of American drug policy, beginning with President Richard Nixon's attempt to smash the opium trade in Turkey 20 years ago, has done more to create a flexible and elusive drug network than to eliminate the problem. Their prescription—reducing demand for drugs—is shared by many authors on this topic.

The chapter on Central Intelligence Agency and Drug Enforcement Administration (DEA) involvement in the United States drug war in Mexico by Jonathan Marshall depicts a lurid, cloak-and-dagger world in which American and Mexican officials have fostered corruption and bureaucratic incompetence for almost 20 years. In fact, Marshall seems to believe that this cozy relationship revolving around drug smuggling, money laundering, and contra funding was disrupted—and brought to light—only by the murder of DEA agent Enrique Camarena in 1985. As compelling as Marshall's argument seems to be, he too often places the testimony of low-level operatives on an equal level with more credible sources.

An inescapable aspect of this book is the sloppy editing. Its pages are littered with spelling mistakes (in one particularly entertaining section, "cocoa" is repeatedly termed a narcotic). Also, there is no index. The lack of editorial attention paid to *War on Drugs* leaves the reader to wonder why he should take it seriously when the publisher obviously didn't.

Sean Patrick Murphy

Inside the State: The Bracero Program, Immigration, and the I.N.S.
By Kitty Calavita. New York: Routledge, 1992. 243 pp., $62.50, cloth; $15.95, paper.

In her excellent book, Kitty Calavita describes how a measure employed during World War II as a short-term solution to labor shortages in the United States led to a 22-year program of virtual indentured servitude for about 5 million Mexicans.

The Bracero (literally, "arm-man" in Spanish) Program began in 1942, and was aimed at legalizing and controlling Mexican migrant workers primarily for the benefit of crop growers along the southern border of the United States. The Immigration and Naturalization Service (INS) was given virtual carte blanche by Congress to develop and administer the plan, which absolved the government of responsibility for the workers because they were to return to Mexico once their contracts expired.

This solution to one of immigration's problems for the host country also caused conflict, however, as American agricultural workers saw their earning power erode steadily, and the Department of Labor was brought into the fray. One episode that marks the mindset of the time was "Operation Wetback," a 1954 INS policy to deport many illegal Mexican workers who

threatened the contract system; their mobility allowed them to choose higher paying jobs than those of the braceros. In that year over 1 million Mexicans were deported, a number that far outstripped deportations during any of the previous or following years of the Bracero Program.

The seemingly contradictory behavior of the United States agencies responsible for the program (the State Department, Department of Labor, and the Justice Department all administered the program at various levels) is symptomatic of the problem immigration poses for capitalist-driven liberal democracies.

The author approaches her topic using theoretical models to explain the nature of immigration policies in developed nations as well as empirical evidence to show how United States agencies responded to a particular problem. By focusing on this era in United States immigration policy, Calavita's well-documented book illuminates current problems of immigration.

S. P. M.

American Foreign Policy Toward Latin America in the '80s and '90s: Issues and Controversies from Reagan to Bush

By Howard J. Wiarda. New York: New York University Press, 1992. 363 pp., $50.00, cloth; $17.50, paper.

Wiarda's easily accessible prose renders a clear synopsis of United States policy toward the region during the administrations of Presidents Ronald Reagan and George Bush. By tracing the shifting objectives of the administrations, he shows how internal and external pressures have shaped their policies, including the decision to arm the contras in Nicaragua, the invasion of Panama, and the pursuit of the North American Free Trade Agreement.

In his study of Mexico, Wiarda warns that the United States must be vigilant as the ruling Institutional Revolutionary party makes changes in the political system after more than 60 years of autocratic rule. He points out the poor track record of similar regimes' attempts at political pluralism. As the last Soviet general secretary, Mikhail Gorbachev, found out too late, the adoption of political pluralism by such governments often proves to be a Pandora's box.

As a recap of the 1980s or as an introduction to recent United States policy in Latin America, this book serves the novice and the expert equally well.

S. P. M.

Sino-Latin American Economic Relations

By He Li. New York: Praeger Publishers, 1991. 179 pp., $45.00.

The largely ignored topic of Chinese relations with Latin America is given rigorous treatment by Li, who breaks down relations into four phases, beginning with the establishment of modern China in 1949.

By succinctly describing the changes that have taken place in bilateral relations between China's principal trading partners in the region—Brazil, Argentina, Cuba, Chile, and Mexico—Li shows how gradually deepening economic ties have become the foundation for greater cooperation in the future.

Much of the economic activity between China and Latin America has been driven more by ideological concerns (generally, South-South cooperation and self-reliance; specifically, socialist brotherhood in Fidel Castro's Cuba and Salvador Allende's Chile) than by markets. The case of Mexican-Chinese trade provides evidence of this; the two nations attempted greater contact throughout the 1970s and 1980s but found they were becoming more and more incompatible partners because they share the same major export—oil.

Li notes the difference between Chinese trade relations with Latin American nations and those of the United States and the Soviet Union, which were inextricably tied to cold war considerations and forced dependence. By conceding that Latin America was the "backyard" of the United States, China entirely avoided the kind of superpower confrontations there that marked United States-Soviet relations during the cold war.

Now that the cold war is over, however, and China is overhauling its economy to become more competitive in world markets, will its appearance in Latin America become more apparent or disturbing to United States policymakers? Li thinks not. The future he envisions is one in which China and Latin American nations continue to build stronger trade relations at a moderate pace while devoting most of their resources for internal and regional concerns.

S. P. M.

MISCELLANEOUS

Border and Territorial Disputes, 3d ed.

Edited by John B. Allcock, Guy Arnold, Alan J. Day, D. S. Lewis, Lorimer Poultney, Roland Rance, and D. J. Sagar. Detroit, Mich.: Gale Research, 1992. 630 pp., $120.00.

With disputes between nations no longer viewed through the sharp lenses of the cold war, the temptation to settle old scores or resolve territorial disputes by force appears to be gaining strength. This book clearly and concisely outlines where these flashpoints for conflict are, their histories, and attempts that have been made at solving them through peaceful as well as military means.

An excellent reference for those who wish to understand the cries of "ancient grievance" currently in vogue in many parts of the world, *Border and Territorial Disputes* is an unsettling guide to today's—and what may be tomorrow's—battlefields.

S. P. M. ■

THE MONTH IN REVIEW

DECEMBER 1992

INTERNATIONAL

Conference on Security and Cooperation in Europe (CSCE)

Dec. 14—In Stockholm, Russian Foreign Minister Andrei Kozyrev stuns assembled delegates when he says that Russia will no longer tolerate Western interference in former Soviet territories, that sanctions against Yugoslavia should be lifted, and that the new Yugoslav state can expect full support from "Great Russia"; Kozyrev later says the speech was a ruse intended to show how Russia's policies would change should hard-line opposition members topple President Boris Yeltsin.

European Community (EC)

(See also *France*)

Dec. 1—In London, the foreign ministers of the 12 member nations conclude a 2-day meeting during which they agreed to strengthen laws allowing the expulsion of refugees.

Dec. 11—In Edinburgh, the foreign ministers announce they will allow Denmark to hold another referendum on the Maastricht treaty and will increase the European Community's budget; Danish voters narrowly rejected the treaty on June 2.

European Economic Area (EEA)

(See *Switzerland*)

North American Free Trade Agreement (NAFTA)

Dec. 17—The leaders of the US, Mexico, and Canada sign a free trade agreement; the pact, which must be ratified by the legislature of each country before January 1, 1994, will gradually eliminate a wide variety of trade barriers and create the world's largest free trade zone.

North Atlantic Treaty Organization (NATO)

(See *Albania*)

United Nations (UN)

(See also *Bosnia and Herzegovina; Cambodia; El Salvador; Iraq; Somalia*)

Dec. 1—In Geneva, the UN Human Rights Commission passes, by a 52-to-1 vote, a resolution condemning Bosnian Serbs as the group primarily responsible for atrocities in Bosnia and Herzegovina; Yugoslavia, which was suspended earlier this year from the General Assembly—but not from participation in UN committees—is the sole dissenter.

Dec. 3—The 15-member Security Council votes unanimously to approve military intervention in Somalia to protect relief supplies; the US will supply 28,000 troops for the operation.

Dec. 11—The Security Council votes unanimously to send 700 peacekeeping troops to Macedonia to prevent another front from opening in the Balkan war.

Dec. 16—The Security Council authorizes the dispatch of approximately 7,500 soldiers, police officers, and administrators to Mozambique to oversee a cease-fire between the government and the rebel Mozambique National Resistance.

AFGHANISTAN

Dec. 6—At least 20 people have been killed and more than 360 wounded in 3 days of fighting in Kabul between guerrillas from the Iranian-backed Hezb-i-Wahadat Shiite coalition and troops of the interim government.

Dec. 10—Jets believed to be flown by pilots belonging to a militia headed by former Afghan army General Abdul Rashid Dostum bomb the compound housing the presidential palace and Defense Ministry.

ALBANIA

Dec. 16—In Brussels, President Sali Berisha says his country would like to join NATO; he asks that Western peacekeeping troops be sent to the Kosovo region of Serbia, where the majority ethnic Albanian population has been calling for greater autonomy.

ALGERIA

Dec. 5—The Interior Ministry announces the government has begun an operation with as many as 30,000 troops to crack down on militant Islamic fundamentalists and has ordered the disbanding of any organization with ties to the Islamic Salvation Front, the main fundamentalist group banned by the government in January.

ANGOLA

Dec. 5—*Jornal de Angola,* a state-run newspaper, reports that rebels from the National Union for the Total Independence of Angola (UNITA) have withdrawn from the northern cities of Uige and Negage but are advancing on the coastal city of Benguela.

Dec. 7—In a statement broadcast on state radio, UNITA pledges to join in a new national unity government and to respect a cease-fire.

ARGENTINA

Dec. 6—The government signs an agreement with its foreign lenders that will reduce the country's $31 billion in commercial debt by about 35%.

AUSTRALIA

Dec. 15—Prime Minister Paul Keating announces that 900 troops will be sent to Somalia next month to take part in the UN relief operation.

BOSNIA AND HERZEGOVINA

(See also *Intl, UN*)

Dec. 1—The UN suspends humanitarian aid flights to Sarajevo, the capital, after a US military plane is slightly damaged by small-arms fire; this is the 2d such attack on a US plane in 3 weeks.

State radio says 56 people have been killed in the towns of Gradacac and Tesanj in recent heavy fighting between Bosnian forces and Serb militias backed by the Yugoslav army; it also reports fighting in the towns of Orasje, Maglaj, Bihac, and Doboj.

Dec. 2—A major Serb tank offensive in Otes, a suburb of Sarajevo, blocks all food shipments to the capital.

Dec. 3—Bullets strike a plane carrying the UN's Sarajevo commander, French Major General Philippe Morillon, prompting the UN to suspend peacekeeping-related flights for 48 hours in the former Yugoslav republics.

Dec. 5—Serbs shell Sarajevo and intensify attacks on Otes; Bosnian radio says 100 people have been killed in Otes over the last 5 days.

Dec. 16—In Geneva, officials of the International Committee of the Red Cross say Serb forces have moved 529 prisoners to undisclosed locations from the Manjaca detention camp near Banja Luka; the Serbs had agreed to release the prisoners and close the camp this week; 2,009 of the camp's prisoners have been released to the Red Cross in the last several days.

Dec. 21—Ending a 3-week halt in relief supply deliveries, 6 planes carrying food and medicine arrive in Sarajevo.

Dec. 25—At a news conference, Morillon says there is "no doubt" that 2 mortar attacks yesterday on the UN villa in the capital were the work of Bosnian defenders; Morillon says they were meant to kill him and visiting Lieutenant General Satish Nambiar, supreme commander of UN forces in the Balkans, because the 2 generals oppose Western intervention in the fighting in the former Yugoslavia.

Dec. 26—Bosnian army commanders say that more than 7,900 Sarajevo residents are dead or missing, and more than 46,700 have been wounded since the siege began this spring.

BRAZIL

Dec. 29—President Fernando Collor de Mello resigns after the start of his impeachment trial in the Senate; the lower house of parliament, the Chamber of Deputies, voted for the trial in September after receiving evidence that Collor had been involved in bribery and influence-peddling schemes; former Vice President Itamar Augusto Franco, who has been acting president since October 2, is sworn in as president.

Dec. 30—The Senate votes, 76 to 3, to convict Collor of official misconduct; the former president will not be able to hold political office for 8 years.

BULGARIA

Dec. 30—After failing to agree on a candidate for 2 months, parliament votes to name Lyuben Berov, an economic adviser to the president, prime minister.

CAMBODIA

Dec. 4—In central Cambodia, Khmer Rouge guerrillas release 6 UN peacekeepers abducted December 1; the Khmer Rouge accused them of spying for the government and Vietnam.

Dec. 16—UN officials announce that the Khmer Rouge took 19 peacekeeping troops and 2 Cambodian translators hostage yesterday in central Cambodia.

Dec. 20—The Khmer Rouge releases 9 Uruguayan UN peacekeeping troops, 1 Russian UN military observer, and 1 Russian airman who had been held in 2 villages since December 18.

Dec. 27—Khmer Rouge insurgents execute 12 ethnic Vietnamese and 2 Cambodians and wound 14 other people in a raid on the fishing village of Kompong Tralach in central Kompong province.

CANADA

(See *Intl, NAFTA*)

CHINA

(See also *CIS*)

Dec. 23—The government orders France to close its consulate in the southern city of Guangzhou in reaction to France's decision to sell Taiwan 60 Mirage 2000–5 jet fighters worth $3.8 billion.

Dec. 26—The London-based human rights group Tibetan Information Network says that China has sentenced 10 Tibetans, most of them monks or nuns, to jail terms of up to 9 years for their participation in pro-independence demonstrations this year.

Dec. 29—The government announces that North Korea must pay for all Chinese imports in cash rather than through barter beginning January 1, 1993.

Dec. 31—State-owned Capital Steel has bought the formerly Peruvian government–owned iron and steel company Hierroperú for $312 million, *The New York Times* reports; it is the largest Chinese government overseas investment outside East Asia.

COLOMBIA

Dec. 15—The rebel National Liberation Army takes responsibility for the detonation earlier today of 8 bombs in the city of Cúcuta that wounded 13 people.

Dec. 16—The army kills 10 leftist rebels in a clash near the town of Santiago; radio reports say that 15 people, including some civilians, were killed in overnight rebel raids on military outposts and police barracks. Six bombs explode in the port city of Barrancabermeja; in Bogotá last week, 10 people were wounded by bombs set off by the Simón Bolívar Coordinated Guerrilla Front.

Dec. 26—Gunmen kill 2 police officers guarding the home of the provincial governor in Medellín; 2 others were fatally shot in separate attacks in the city 2 days ago. A December 3 car bomb explosion in the city killed 10 police officers and at least 4 civilians and wounded 19 others; Defense Minister Rafael Pardo blames Pablo Escobar, head of the Medellín drug cartel, who escaped from prison in July.

COMMONWEALTH OF INDEPENDENT STATES (CIS)

(See also *Intl, CSCE; Germany*)

Dec. 1—On the day President Boris Yeltsin's power to govern by decree expires, the 1,041-member Russian Congress of People's Deputies opens a session at the Great Kremlin Palace in Moscow. In an address to the delegates, Yeltsin acknowledges the government's economic program has caused "considerable deterioration" of living standards for most Russians but asks for a year to 18 months to allow it to work; he also proposes a national referendum on a new constitution that would define the powers of the branches of government.

Dec. 9—In a secret ballot, members of the Russian parliament reject Yeltsin's nomination of Yegor Gaidar, the deputy prime minister and architect of the country's economic reforms, to the prime ministership; the vote is 486 to 467; Yeltsin had offered parliament a say in selecting the foreign, defense, security, and interior ministers in exchange for Gaidar's appointment.

The sale by public subscription begins for the 1st state-owned enterprise to be privatized under Russia's voucher program.

Dec. 10—Addressing the Russian parliament, Yeltsin says its conservative members are engaged in a "creeping coup" against him and economic reform. On finishing, Yeltsin asks deputies who support him to follow him out of the hall; about 120 do. Ruslan Khasbulatov, the speaker of parliament, announces his resignation but later returns to the po-

dium; he proposes in a television interview afterward that elections be held for president and a new congress. The ministers of defense, security, and the interior are ordered to appear before the congress; all pledge their loyalty to the constitution and the rule of law.

Dec. 11—The Russian parliament approves a measure prohibiting referendums calling for the early dissolution of any of the country's higher authorities.

Fighters loyal to ousted President Rakhman Nabiyev take control of Dushanbe, the capital of Tajikistan; this is the 2d time in 4 months that Dushanbe has changed hands in fighting between Nabiyev supporters and an Islamic-democratic coalition.

Dec. 12—In talks between Yeltsin and Khasbulatov and their delegations, the president agrees that parliament will vote on and present him with its 1st 3 choices for prime minister; the congress agrees to lift the ban on referendums and not to consider constitutional amendments that would alter the balance of powers, and reverses action that would have allowed the standing parliament, the Supreme Soviet, to suspend presidential and parliamentary decrees.

Dec. 14—After a 2-week power struggle with parliament, Yeltsin gives up his attempts to have Gaidar confirmed as prime minister and instead names deputy prime minister Viktor Chernomyrdin, the parliament's 2d choice, to the post. The session concludes.

Dec. 18—In Beijing, Yeltsin and other Russian officials sign 24 agreements with the Chinese on increased trade exchanges and the reduction of troops along the Russian-Chinese border, among other subjects; in a joint declaration of friendship, the 2 countries pledge not to launch a nuclear 1st strike against the other.

Dec. 19—Muslim militants have shot down an Uzbek helicopter overnight near Dushanbe, a Russian army colonel says; he also says Tajik forces with Uzbek aerial support are attacking rebel Muslim positions at Kofernikhon, 15 miles east of the capital; in the last 2 days of fighting, 19 Muslim fighters and 1 government militiaman have been killed.

Dec. 23—Yeltsin approves a cabinet proposed by Chernomyrdin that retains all Gaidar's appointees but Foreign Economic Relations Minister Pyotr Aven; 2 new deputy prime ministers, Boris Fyodorov and Yuri Yarov, are added.

CUBA

Dec. 13—*The New York Times* reports that Elizardo Sánchez, head of the Cuban Commission for Human Rights and National Reconciliation, is being held by the government after he was kidnapped and beaten by supporters of President Fidel Castro on December 10.

EGYPT

Dec. 9—The government announces it has arrested 400 people suspected of involvement with militant Muslim groups and has sealed off the Imbaba district of Cairo; at least 12,000 troops were involved in the operation.

EL SALVADOR

Dec. 8—In a ceremony attended by President Alfredo Cristiani, the army's US-trained Atlacatl battalion is dismantled; the battalion had been widely accused of human rights abuses during the country's civil war.

Dec. 14—UN peacekeeping officials declare the Farabundo Martí National Liberation Front (FMLN)—formerly an 8,000-member-strong guerrilla force—disarmed; the Front formally becomes a political party.

Dec. 15—A ceremony attended by Cristiani, FMLN leaders, UN Secretary General Boutros Boutros-Ghali, and US Vice President Dan Quayle marks the end of the civil war in which as many as 75,000 people died; Quayle says the US will forgive $456 million of the $617 million El Salvador owes for loans from the US Agency for International Development and agricultural credits.

FRANCE

(See also *China; Somalia*)

Dec. 1—In Strasbourg, home of the European Parliament, about 40,000 of the continent's farmers and their supporters demonstrate against the EC's November agreement with the US to reduce farm subsidies and cut exports of subsidized food products by 21%.

GERMANY

Dec. 6—In Munich, some 300,000 marchers demonstrate against anti-Semitism and rightist violence aimed at foreigners; 15 other Bavarian cities and towns hold similar rallies.

Dec. 16—In Moscow, Chancellor Helmut Kohl ends a 2-day visit by announcing Germany will forgive $11.2 billion of Russia's debt and will pay $636 million in reparations to victims of Nazi oppression during World War II in Russia, Ukraine, and Belarus.

Dec. 22—The government bans a neo-Nazi group, the 140-member National Offensive; on December 10 it banned the neo-Nazi German Alternative, which is based in western Germany.

Dec. 25—In Berlin, 200,000 people join in a Christmas protest against right-wing extremism. Hours after the firebombing of a refugee shelter in the coastal city of Greifswald December 20, more than half a million people in at least 12 cities demonstrated against rightist violence.

GREECE

Dec. 10—In Athens, more than 1 million people demonstrate against international recognition of the former Yugoslav republic of Macedonia unless it changes its name; nationalist leaders say Macedonia's retention of the name implies that it has territorial claims on the northern Greek province of Macedonia.

INDIA

(See also *Pakistan*)

Dec. 6—Thousands of Hindu militants storm and demolish the Mosque of Babur in Ayodhya, in Uttar Pradesh state in northeastern India; an estimated 30,000 Hindu "volunteer workers" had gathered in the town at the urging of Hindu revivalist leaders who called for the construction of a temple on the mosque site, which is held to be the birthplace of the Hindu god Ram; 4 Hindus are killed and 100 injured by falling debris.

The chief minister of Uttar Pradesh state announces his resignation, and Indian President Shankar Dayal Sharma dismisses the state legislature, suspends top civil and police officials in the Faizabad region around Ayodhya for failing to prevent the demolition, and takes control of Uttar Pradesh.

Dec. 7—In Bombay, 59 people are reported killed when police fire into rioting mobs. In Jaipur, the capital of Rajasthan state, 22 people die in clashes between Hindus and Muslims, and at least 20 are killed and 100 injured in Ahmadabad, the capital of the eastern state of Gujarat.

Dec. 8—In Ayodhya, 5,000 paramilitary troops retake the mosque site.

Prime Minister P. V. Narasimha Rao orders the arrest of 6 leading Hindu fundamentalist leaders on charges of inciting religious violence before the mosque's destruction; those arrested include Lal Krishna Advani of the Hindu fundamen-

talist Bharatiya Janata party and leader of the opposition in parliament; Rao promises the mosque in Ayodhya will be rebuilt.

Dec. 9—The worst religious violence since the partition of India in 1947 rages throughout the country; the official death toll tops 700; many of the victims were shot by police or paramilitary troops, and it appears that the majority were Muslims. For the 3d straight day the parliament in New Delhi fails to convene.

Dec. 10—The government bans 3 Hindu and 2 Muslim fundamentalist groups.

Dec. 13—In a nationwide crackdown, police arrest more than 700 militants, primarily Hindus. Curfews are lifted during daylight hours in most of the 135 cities that had been under round-the-clock curfews. The government announces an official casualty toll of 1,210 dead and 4,000 wounded in violence over the past week.

Dec. 15—The central government dismisses the state governments of Madhya Pradesh, Rajasthan, and Himachal Pradesh—all controlled by the Bharatiya Janata party—and imposes central rule over the states. More than 2,600 people have been arrested in the recent turmoil, *The New York Times* reports.

Dec. 20—In New Delhi, police use tear gas and batons to disperse thousands of Bharatiya Janata supporters attending a rally; they make 854 arrests.

Dec. 21—Rao wins a vote of confidence in parliament over his handling of the recent violence.

Dec. 25—In Ayodhya and the city of Faizabad, police arrest more than 3,000 Hindu nationalists planning to march to the sealed temple site.

INDONESIA

Dec. 14—The governor of East Nusa Tenggara province, Hendrik Fernandez, says the death toll has reached 2,484 from the earthquake and subsequent tidal waves that struck Flores and 2 other eastern islands December 12.

IRAQ

(See also *US*)

Dec. 19—The UN suspends relief operations for the Iraqi Kurds because of 3 incidents this month in which bombs exploded or were found on UN trucks.

Dec. 27—A US F-16 based in Saudi Arabia shoots down an Iraqi warplane breaching a post–Persian Gulf War ban on Iraqi flights south of the 32d parallel in order to protect the Shiite Muslims who live in the region.

ISRAEL

(See also *US*)

Dec. 7—In the Israeli-occupied Gaza Strip, 3 Israeli soldiers on patrol are killed; members of Hamas, an Islamic fundamentalist group, claim responsibility for the attack.

Dec. 8—The government orders the Gaza Strip sealed and imposes curfews while troops search for the assailants in yesterday's killings.

Dec. 13—Members of Hamas kidnap Sergeant-Major Nissim Toledano, an Israeli border policeman, in the town of Lod and say they will kill him unless the group's founder, Sheik Ahmed Yassin, is released from prison.

Dec. 14—Three Palestinians have been killed and more than 120 wounded in clashes with Israeli soldiers in the last 3 days, *The New York Times* reports; also, 1 Israeli soldier was shot and killed by militants in the West Bank and more than a dozen Israelis were wounded by stone throwers.

Dec. 15—Toledano's body is found outside Jerusalem; approximately 1,200 suspected Hamas members have been arrested in the search for Toledano's kidnappers.

Dec. 17—Israeli troops leave 415 Palestinians at the northern border of the self-declared Israeli "security zone" in southern Lebanon; the Palestinians were expelled from Israel for being suspected members of Hamas and other extremist groups.

Dec. 19—On the West Bank, Israeli troops kill 6 Palestinians taking part in a demonstration during a 75-minute break in a government-imposed curfew.

Dec. 21—Israeli-backed South Lebanon Army militiamen open fire on the 415 expelled Palestinians as they try to enter the security zone; 2 are wounded; the Palestinians had been ordered by Lebanese troops to leave their makeshift camp 1 mile north of the zone and return to the zone.

Dec. 22—The Supreme Court rejects appeals on behalf of the 415 Palestinians; both Israel and Lebanon refuse to allow international relief workers to deliver supplies to them.

Dec. 28—Army officials say 10 of the 415 exiles may return to Israel because they were expelled "without a legal decision to deport them."

JAPAN

Dec. 11—Attempting to defuse a scandal in which members of the governing Liberal Democratic party have been accused of accepting illegal campaign contributions, attempted bribery, and contacts with organized crime, Prime Minister Kiichi Miyazawa reshuffles the cabinet.

KOREA, NORTH

(See *China*)

KOREA, SOUTH

(See also *Vietnam*)

Dec. 19—With 92% of the ballots from yesterday's presidential election counted, the Korean Broadcasting System announces that Kim Young Sam, a former dissident who last year merged his party with the governing Democratic Liberal party, has won with about 42% of the vote; Kim Dae Jung received 34% and Chung Ju Yung, the founder of the Hyundai industrial group, 16%; Kim Young Sam will be the country's 1st president in 30 years who was not a member of the armed services.

LEBANON

(See *Israel*)

MACEDONIA

(See *Intl, UN; Greece*)

MEXICO

(See *Intl, NAFTA; US*)

MOZAMBIQUE

(See *Intl, UN*)

PAKISTAN

Dec. 7—In response to a Hindu mob's demolition of a mosque in Ayodhya, India, yesterday, the government closes offices and schools for a 1-day protest. Muslims attack more than 30 Hindu temples throughout the country, setting fire to 25 in the southern province of Sind.

PANAMA

(See *US*)

PERU
(See *China*)

PHILIPPINES
Dec. 25—In the town of Carmen, about 560 miles south of Manila, Muslim gunmen kill 18 Catholic church workers, reportedly in retaliation for the killing the day before of several Muslim farmers by government militia; the army says more than 100 people have been killed in revenge attacks by Christians and Muslims over the last 3 years.

POLAND
Dec. 14—In Silesia, hundreds of thousands of the region's nearly 300,000 coal miners strike to protest low wages and a government plan to reorganize the industry that would cut 180,000 jobs over 10 years.

SAUDI ARABIA
Dec. 4—The official press reports that, by royal decree, King Fahd has replaced 7 members of the Supreme Authority of Senior Scholars, the country's highest religious body, with 10 other clerics; those removed refused to sign a denunciation of 107 religious figures who criticized the government's involvement with Western nations and the deployment of American troops on Saudi soil; the government cites the "poor health" of the 7 as reason for the change.

SOMALIA
(See also *Intl, UN; Australia*)

Dec. 7—Relief officials say at least 64 people have been killed and more than 48 wounded in fighting the last 2 days in the central town of Baidoa.

Dec. 9—The 1st of an initial contingent of 1,800 US marines lands and secures the airport in Mogadishu, the capital, in an operation intended to provide security for relief shipments; approximately 28,000 US soldiers are eventually expected to take part, as well as troops from 10 other countries. Relief flights resume.

Dec. 10—Two Somalis are killed and 7 wounded by French and US troops at a French checkpoint in Mogadishu.

Dec. 11—In Mogadishu, General Mohammed Farah Aidid and Mohammed Ali Mahdi, the leaders of the most powerful factions in the 2-year-old civil war, agree to an immediate cease-fire and the restriction of their fighters to designated compounds; the talks between the 2 were mediated by US special envoy to Somalia Robert Oakley and Lieutenant General Robert Johnston, commander of the American-led military operation in Somalia. Looting by armed gunmen continues in the capital.

Dec. 12—In Mogadishu, 2 US helicopters destroy 3 Somali vehicles after being fired on; the number of Somali casualties is not reported.

Dec. 16—More than 700 US marines and French troops arrive in Baidoa and secure the area for the delivery of relief supplies.

Dec. 20—About 325 US and Belgian troops arrive in Kismayu.

Heavily guarded by US forces, 20 UN relief trucks enter Baidoa, marking the 1st relief shipment since November 11.

UN officials say 30 International Committee of the Red Cross trucks have disappeared in the last 2 days and were apparently looted in El Man, 7 miles north of Mogadishu; the Red Cross has declined military protection for its relief convoys.

Dec. 22—Brigadier General Tony Zinni, operations director for the US military command in Somalia, says US forces will begin seizing armored vehicles, whether or not they pose a direct threat; UN Secretary General Boutros Boutros-Ghali has urged the US to disarm warring militiamen, while the US has insisted its role is to protect relief deliveries.

Dec. 23—While on an advance mission to Bardera, a town in the interior that has been a main battlefield in the civil war, a civilian employee of the US army is killed and 3 US State Department security officials are injured by a mine; this is the 1st American death during the operation.

Dec. 27—Aidid and Mahdi say they will eliminate the "green line" that has divided Mogadishu between their two forces.

Dec. 28—*The New York Times* reports a massacre in the southern town of Kismayu on December 8–12 that left more than 100 elders, businesspeople, and educated members of the Harti clan dead; witnesses and Western diplomats say the killings were directed by Ogadeni clan leader Colonel Omar Jess, an ally of Aidid's.

In Mogadishu, gunmen kill a relief worker from CARE International and shoot several others during a car theft. Yesterday, gunmen in the capital killed 3 workers from the International Committee of the Red Cross and wounded 1.

SOUTH AFRICA
Dec. 1—In Harare, Zimbabwe, the Azanian People's Liberation Army, the military wing of the South African Pan-Africanist Congress, announces that the group's killing of 4 people and wounding of 17 others at a golf club in King William's Town, South Africa, on November 28 was the beginning of a campaign against white civilians.

Dec. 19—President F. W. de Klerk announces that 23 officers, including 6 generals, have been suspended or forced to retire because they are suspected of criminal activities that may include political assassination.

Dec. 24—Near the town of Ficksburg in rural Orange Free State, where a white girl was killed by 3 armed blacks December 19, white gunmen fire on 2 minibuses carrying black passengers, killing 1 person and wounding 3 others; authorities suspect a far-right group called the White Wolves.

SPAIN
Dec. 13—According to official estimates released today, a Greek tanker that ran aground December 3 off the northwestern port of La Coruña spilled 21.5 million gallons of oil.

SWITZERLAND
Dec. 6—In a national referendum, 50.3% of voters reject Swiss participation in the new customs-free European Economic Area, which was to have included the 12 European Community nations and the 7 countries of the European Free Trade Association, to which Switzerland belongs; 49.7% vote yes.

SYRIA
Dec. 14—US State Department officials say Syria has refused exit visas to Jews for the last 8 weeks; approximately 2,600 Jews have left the country since April, when a policy of granting exit permits was instituted; about 1,400 Jews remain in Syria.

TAIWAN
Dec. 19—In the country's 1st fully democratic national legislative elections, the ruling Kuomintang wins 53% of the vote; the Democratic Progressive party captures one-third of the legislative seats with 31% of the ballots cast.

UNITED KINGDOM (UK)

Great Britain

Dec. 3—Two rush-hour bombings in central Manchester injure at least 64 people; police suspect the Irish Republican Army (IRA).

Dec. 9—In the House of Commons, Prime Minister John Major reads a statement from Buckingham Palace announcing the separation of Prince Charles, the heir to the throne, and his wife, Diana, the Princess of Wales; the statement says the 2 have no plans to divorce and will separately continue to carry out their public duties.

Dec. 16—In London, the IRA detonates 2 bombs in a shopping district, wounding 4 people.

Northern Ireland

Dec. 1—In Belfast, a bomb explosion injures 27 people; the IRA takes responsibility.

UNITED STATES (US)

(See also *El Salvador; Iraq; Somalia*)

Dec. 4—In Cincinnati, a federal judge awards a former employee of the General Electric Company $13.4 million for providing evidence to the Justice Department that the company defrauded the government in a scheme that provided bribes and kickbacks to an Israeli general; in July the company agreed to pay $9.5 million in fines and $59.5 million in a related civil case.

Dec. 8—In Miami, a federal judge rules that General Manuel Noriega is a prisoner of war under the Geneva Conventions; Noriega, the former president of Panama, surrendered to US troops after the December 1989 invasion of his country, and was sentenced in July to 40 years in prison on racketeering, money laundering, and drug trafficking charges.

Dec. 9—In Washington, a federal jury finds Clair George, the former head of clandestine services and number-three official at the Central Intelligence Agency, guilty on 2 felony counts of making false statements to Congress; the jurors say George lied about the extent of his knowledge of the involvement of former President Ronald Reagan's administration in a scheme to finance the Nicaraguan contras with proceeds from arms deals with Iran also intended to gain the release of hostages; the jury also acquits George on 5 related counts of lying to investigators.

Dec. 14—Calling the prosecution's evidence "the wildest speculation," a federal judge in Los Angeles acquits Mexican Doctor Humberto Álvarez Macháin of charges that he participated in a torture session that led to the death of Drug Enforcement Agency (DEA) official Enrique Camarena Salazar in Guadalajara, Mexico, in 1985; Macháin was kidnapped and brought to the US in 1990 by Mexican bounty hunters seeking a $50,000 DEA reward.

Dec. 21—A federal jury in Los Angeles convicts former Mexican President Luis Echeverría's brother-in-law, Ruben Zuno Arce, of kidnapping and fatally torturing DEA agent Camarena; Zuno is also found guilty on 2 conspiracy charges.

Dec. 22—At a news conference in Little Rock, Arkansas, President-elect Bill Clinton announces he will nominate Warren Christopher for secretary of state; Christopher was deputy secretary of state in President Jimmy Carter's administration.

Dec. 24—In a printed statement released by the White House after President George Bush leaves on vacation, the president grants pardons to 6 Reagan administration officials for their part in the Iran-contra scandal. Those pardoned include former Defense Secretary Caspar Weinberger, former national security adviser Robert McFarlane, Clair George, and former Assistant Secretary of State Elliott Abrams.

Dec. 27—Diplomats in Geneva report that Bush last week warned Serbian President Slobodan Milosevic and General Zivota Panic, commander of the Yugoslav army, that the US was ready to use military force against Yugoslavia in the event of Serb-instigated violence in the Serbian province of Kosovo.

Dec. 28—Defense Department officials say 18 US Navy planes have been sent to Dhahran, Saudi Arabia, to take part in flight patrols over southern Iraq; the aircraft carrier *Kitty Hawk* is en route to the Persian Gulf from off the coast of Somalia.

VENEZUELA

Dec. 4—The human rights group Provea says more than 300 people died as a result of the November 27 coup attempt against the government of President Carlos Andrés Pérez, *The New York Times* reports.

VIETNAM

Dec. 22—Vietnam and South Korea establish diplomatic relations.

YUGOSLAVIA

(See also *Intl, UN; Albania; Bosnia and Herzegovina; US*)

Dec. 3—In Pristina, the capital of the Kosovo region in Serbia, police fire on a crowd at an outdoor market, killing 1 person and wounding another.

Dec. 9—The Serbian Supreme Court rules that Yugoslav Prime Minister Milan Panic may run in the December 20 presidential election against Serbian President Slobodan Milosevic; Panic, who holds joint American and Yugoslav citizenship, was named prime minister by Yugoslav President Dobrica Cosic in July.

Dec. 26—Panic concedes the presidency to Milosevic 6 days after the polls closed, despite his allegations of electoral fraud. The election commission in Serbia reported yesterday that Milosevic received 56% of the vote and Panic 34%; Western election observers have said that fraud may have accounted for as much as 15% of Milosevic's total.

Dec. 29—Both houses of parliament—dominated by the Socialist Party of Serbia and the nationalist Serbian Radical party—overwhelmingly side against Panic in a vote of no confidence, removing him from office; Deputy Prime Minister Radoje Kontic is named to lead an interim government.

ZAIRE

Dec. 12—Civil guardsmen under the control of President Mobutu Sese Seko briefly occupy the offices of Prime Minister Etienne Tshisekedi. ■

MEXICO
MILES
0
100
200
300
400
Gulf of Mexico
Pacific Ocean
Gulf of California
LOWER CALIFORNIA
MEXICAN PLATEAU
SIERRA MADRE ORIENTAL
SIERRA MADRE OCCIDENTAL
SIERRA MADRE DEL SUR
SIERRA MADRE
YUCATAN PENIN.
TEXAS
LA.
NEW MEXICO
ARIZONA
CALIF.
BELIZE
GUATEMALA
HONDURAS
EL SALVADOR
Mexico City
Monterrey
Guadalajara
Dallas
Fort Worth
Austin
San Antonio
Houston
New Orleans
Brownsville
Matamoros
El Paso
Ciudad Juarez
Tucson
Nogales
Cananea
Hermosillo
Guaymas
Ciudad Obregon
Los Mochis
Culiacan
Mazatlan
Durango
Chihuahua
Santa Barbara
Gomez Palacios
Torreon
Sabinas
Monclova
Saltillo
Ciudad Victoria
Tampico
Tuxpan
San Luis Potosi
Aguascalientes
Leon
Morelia
Pachuca
Puebla
Orizaba
Vera Cruz
Cuernavaca
Colima
Manzanillo
Tepic
Chilpancingo
Acapulco
Oaxaca
Tehuantepec
Salina Cruz
Tapachula
Tuxtla Gutierrez
Comitan
Villahermosa
Coatzacoalcas (Puerto Mexico)
Carmen
Campeche
Progreso
Merida
CHICHEN ITZA
Chetumal
Belize
CAPE CATOCHE
Tijuana
San Diego
Mexicali
Santa Rosalia
La Paz
CAPE SAN LUCAS
CEDROS
MAGDALENA I.
REVILLA GIGEDO ISLANDS (MEX.)
CITLALTEPETL 18,701 FT.
POPOCATEPETL 17,887 FT.
FALCON RES.
AZUCAR RES.
Rio Grande
Pecos
Rio Conchos
Salado
Pesqueria
San Fernando
S. La Marina
Yaqui
Rio del Fuerte
Mezquital
Rio Grande de Santiago
Panuco
Moctezuma
Balsas
Papaloapan
Usumacinta
Grande
Lenz

Current History in March: Latin America

What are the chances for democracy in this region, lately considered a bellwether of reform in the multipolar world? How will draconian measures (such as those employed by President Alberto Fujimori in Peru) change deep social and economic problems affecting countries such as Colombia and Brazil? What is the likelihood of a successful coup attempt in Venezuela? How are Chile and El Salvador healing the wounds of the past, and what future awaits them as they enter new eras? And what has the experience of virtually running Panama for over two years taught the United States about the role it needs to play in the area? *Topics scheduled to be covered include:*

- **Fujimori's Peru: Democracy by Decree**
  BY CYNTHIA MCCLINTOCK, GEORGE WASHINGTON UNIVERSITY
- **Venezuela's "Coup Ex Machina"**
  BY JUDITH EWELL, COLLEGE OF WILLIAM AND MARY
- **El Salvador's Demilitarization**
  BY PAMELA CONSTABLE, *THE BOSTON GLOBE*
- **Panama: Latin America's Occupied Democracy**
  BY STEVE ROPP, UNIVERSITY OF WYOMING
- **A New Dawn for Chile?**
  BY FELIPE AGUERO, OHIO STATE UNIVERSITY
- **Brazil's Struggle with Democracy**
  BY CARLOS DA SILVA, *FOLHA DE SÃO PAULO*
- **Colombia Against the Odds**
  BY BRUCE BAGLEY, UNIVERSITY OF MIAMI
- **Clinton and Latin America: A Change for the Better?**
  BY PETER HAKIM, INTER-AMERICAN DIALOGUE